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Monday February 17 1992

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# Michael World News

# Thompson Poland plans big shift in economic **emphasis**

geine den San (mg.) Poland is to announce a shift in economic policy away from fighting inflation and towards easing the rigours of market Statistics of Season led to rising unemployment and declining living standards.

The move is expected to gain

The move is expected to gain conditional approval from the international Monetary Fund, which suspended disbursement of its \$2.5bn extended loan of its \$2.5bn extended loan package last September when the budget deficit and other Charles to the indices overran agreed targets.

ANC ready to deal The African National Congress

is willing to make concessions on power sharing in a post-apartheid South Africa which could lead to a deal on a new of the french of the land democratic constitution. Experiments to continue

Swiss voters decided in a referendum not to tighten already stiff regulations on animal experiments. The drugs indus try and government had said the proposal would have cut life-saving research.

'Up to 6,000' held Mohammed Boudiaf, head of a military-backed five-man presidency set up to rule Algeria, said there may be 5,000 to 6,000 Islamic Salvation Front supporters in detention camps. Page 5

Japan bans Jagger Rolling Stones lead vocalist Mick Jagger was refused entry to Japan because of a drug arrest in London 23 years ago. He is confined to a Tokyo hotel pending an appeal today.

Fourteen people died and 42 were hurt when a bus hit a tree and broke in two near Belbeis, north-east of Cairo.

At least 13 people were killed when troops loyal to President Mobutu Sese Seko opened fire on pro-democracy demonstrators in Kinshasa. Zaire's capi-

Friendship move Bulgaria's president Zhelyu Zhelev, a former dissident, will visit France tomorrow to sign a friendship treaty.

Aid for civilians

The United Somali Congress. one of the main factions fighting in the Somali capital of Mogadishu, has agreed to allow aid workers to distribute food

Mexico to save forest Mexico is to enlarge the Montes Azules biological reserve in the Lacandona tropical rain forest by 55,000 hectares.

Overworked Americans Americans increasingly find underpaid as they struggle to maintain their living standards, according to a report by the Washington-based Economic Policy Institute.

British Rail is to abandon its system of promotion by length of service and from the end of next month its 30,000 station staff will be promoted on

Angela Carter dies Author Angela Carter died in London. Her first novel, Shadow Dance, was published in 1966 when she was 26. It was followed by several more and by short stories, radio plays. screenplays and non-fiction anthologies.

Law replaces vain pieas Beijing residents will be required by law to donate blood to ease the capital's shortage. Chinese have traditionally been reluctant to donate, believing that losing blood saps vitality.

THE MONDAY INTERVIEW

CONTENTS

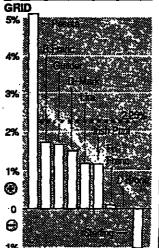
#### **Business Summary Transatlantic** phone charges from Germany to be slashed

Deutsche Telekom, German state telecommunications monopoly, is to cut transatiantic call charges by up to 37 per cent, and will investigate its entire tariff structure. The drastic cuts in transatlantic charges, which will lower the cost of a three-min-ute call to New York from DM9.43 (\$5.93) to DM5.98, fol-low strong pressure from US and German industry.

PIRELLI chahman Leopoldo Pirelli, 66, is giving up execu-tive control over the loss-mak-ing Italian cables and tyres concern. Page 16; Observer,

EUROPRAN Monetary System: The D.Mark was the principal victim of dollar strength last week and, as a result, weakened against most European currencies. The pesets and sterling both gained at the D-Mark's expense, although the UK currency remained stubbornly at the bottom of the grid. Currencies, Page 27

February 14, 1992



currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluc-tuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the sys tem. Sterling and the Spanish peseta operate with 6 per cent

PERRIER BID: The French government has approved the offer by Nestlé, Swiss foods concern, to buy Perrier, French mmeral water group being courted by Italy's Agnelli family. Page 15

GERMANY fell behind the US as the world's top exporter last year, according to the Institute of the German Economy, after selling \$421bn worth of goods abroad in 1990.

duce air conditioning units in the UK as part of plans to expand its presence in the European market. Page 8;

RRITISH AEROSPACE: No engineering company. Page

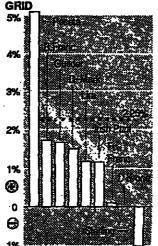
UK FRAUD: A central directory of suspected fraudsters and other wrongdoers is being planned by financial specialists in London and by government officials. Page 14

HOOVER, UK white goods manufacturer owned by May-tag of the US, is to sell washing chines to Hitachi for marketing under the Japanese

missed as inaccurate and "unbelpful" a forecast by the Organisation for Economic Co-operation and Developmen that Portugal's inflation in 1992 will be 10.5 per cent. Page 2

# Political tensions heighten ahead of more Middle East peace talks Israel kills

Hizbollah leader in



TOSHIBA has opened the first Japanese-owned factory to pro-

Observer, Page 12 significant top management reshufile is expected after the appointment of a new chairman at BAe, the UK's biggest

company's name. Page 8 BANK of Portugal has dis-

air strike

of Lebanon's Shia Moslem fun-

SHEIKH Abbas Musawi, leader

damentalist organisation, Hiz-bollah, was assassinated yesboilah, was assassinated yes-terday in a rocket attack by israeli helicopters as he was travelling in a convoy of vehicles in southern Lebanon. The attack, 30km from the Israeli border, ended a week-end of violence in Israel and Lebanon which seemed bound to escalate political tensions ahead of the next round of Midahead of the next round of Middle East peace talks due to open in Washington early next week, involving Israel, Leba-nor, Syria, Jordan and the Pal-

Nevertheless, Syria and Leb-anon said within hours of Sheikh Musawi's death that they would attend the talks, an announcement likely to be wel-comed by Washington as a sign of the durability of the peace process, despite continuing vio-lence on the ground.

The killing of Sheikh Musawi, a key figure in the negotiations last year for the release of western hostages, followed earlier Israeli aircraft and helicopter strikes on Palestinian refugee camps in south Lebanon. These were reprisals for the killing of three Israeli

By Hugh Carnegy in Jerusalem soldiers at an army camp in Israel late on Friday night. At least four civilians were reported killed in the air attacks on the refugee camps.
Sheikh Musawi's wife, sixyear-old son and at least five
bodyguards were also killed in
the attack.

The Israeli army said the Hizbollah leader had been in the village of Jibsheet meeting a number of Hizbollah officials responsible for organising attacks on Israeli forces.

Israel made no connection between Hizbollah and the

death of the Israeli soldiers. The assailants were believed by Israel to be Palestine Liberation Organisation activists. But it was clear that even if But it was clear that even if not a direct reprisal, the operation to kill Sheikh Musawi offered the government and the defence establishment, embarrassed by Friday night's security lapse, added opportunity to mount a show of force.

Mr Moshe Arens, the Israeli defence minister, said last night: "This is a message to all night: "This is a message to all the terrorist organisations that whoever opens an account

with us, we will be the ones to

close the account. This is true for all the bands, for all the



Abbas Musawi: key figure in negotiations last year for the release of western hostages

terrorist organisations, for all Mr Arens also said that Sheikh Musawi was a man with "lots of blood on his hands. This was an attack intended to hurt Hizbollah."

In Washington, the State Department said the US "was concerned at the rising cycle of violence" and urged all sides to "exercise maximum restraint". Sheikh Musawi was secretary-general of Hizbollah, the Iranian-backed group best known in the west as the pri-

mary Lebanese organisation involved in hostage-taking.

He was regarded by Israel as being behind a persistent guerrilla campaign against Israeli forces and their allies in southern Lebanon where Israel occupies a "security zone" along the northern side of its border.

The strike was the most dramatic attack by Israel on Hiz-bollah since it kidnapped Sheikh Abdul Karim Obeid in mid-1989 in a failed attempt to secure the release of Israeli ser-

vicemen held by Lebanese militia. Yesterday's action may have been prompted by the col-lapse of United Nations efforts to obtain the servicemen's release. However, one side effect may be further to complicate efforts to free two remaining German hostages. International condemnation

has not deterred Israel from continuing to make armed incursions deep into Lebanon.

#### Shia extremism, Page 2 Israeli protest, Page 5

# Bush promises upturn in US economy

By Lionel Barber in Manchester, New Hampshire

win over uncommitted voters in tomorrow's primary election in New Hampshire as his campaign chairman predicted a comfortable victory over Mr Patrick Buchanan, his right-wing Republican opponent. With polls showing Mr Bush

holding a surprisingly strong lead, the White House dismissed fears that Mr Buchanan would embarrass the president in this recession-hit New England state, enabling him to

A CONFIDENT President continue his insurgent can—"Housing and real estate are among the other Democratic which has gone from boom to George Bush yesterday paign. "Bayer has paid around £10m going to lead the recovery," he candidates whose survival bust since Mr Bush took office (\$18.10m) to secure exclusive George Bush yesterday paign.
launched a last-minute drive to Mr Robert Teeter, Bush cam-

paign chairman, said in a tele-vision interview that there was no evidence that Mr Bush was in trouble. "He will win, and will win comfortably," Mr Teeter insisted. The president, who drew

small, politely enthusiastic crowds during two days of late-scheduled campaigning at the weekend, took the high road yesterday. He avoided attacks on his opponent and promised an upturn in the US economy. terday.

In the Democratic race, former senator Paul Tsongas of Massachusetts basked in his new position as the front run ner, maintaining a clear lead over Governor Bill Clinton of Arkansas, the previous favourite who has been damaged by unsubstantiated charges of draft-dodging during the Viet-nam war and adultery. Mr Clinton's slide has pro-

voked a desperate scramble

sends on a second or third place showing in tomorrow's primary, the first of the 1992 election campaign. Last night, all five Democrats were prepar-

ing for a televised debate in Political experts predict a heavy turnout in New Hamp-shire which has a tradition of election upsets and come-frombehind wins such as Mr Bush's victory in 1988. This unpredictability is compounded by the economic troubles in the state

Mr Buchanan, the television commentator and former speech writer to presidents Nixon and Reagan, has preached an "America first" message which leans toward protectionism and isolationism. He has accused Mr Bush of being "the biggest spender and taxer in American history" and being an absentee president out of touch with ordinary people. On Saturday, Mr Continued on Page 14

#### Bayer to use protein produced by sheep

By Daniel Green in London BAYER, the German multi-million pound deal to use a valuable substance produced by a genetically engi-neered Scottish super-sheep

called Tracy.

The deal in which Tracy will produce the chemical while grazing in a field near Edin-burgh, is thought to be the first sizeable commercial ven-

ture in a controversial branch of genetic engineering. The deal could mark the first step in the commercial use of flocks of genetically engineered animals as blologi cal factories.

Tracy, the first sheep in what her Scottish inventors hope will be one of the most lucrative flocks in history, makes a substance that costs \$100 a gramme. A litre of her milk could be worth up to

She was genetically engineered by the injection of a piece of human genetic material into a newly fertilised sheep egg. The human mate-rial instructs Tracy to produce alpha-1-antitrypsin (AAT), s

Most humans make their own AAT, but one in every 2,000 people suffers from a lack of it. In about 10 per cent of cases, the shortage is severe enough to cause problems such as liver failure or emphysema. These people are either treated with a course of injections of AAT, which can cost up to \$20,000 a year or they are treated for the side effects of AAT deficiency such as liver failure or lung disorders. There is a world shortage of

the protein.

The Scottish super-sheep could ease the shortage by replacing the traditional method of producing AAT by extracting it from human

substance made by Tracy and her descendants. The AAT would be extracted from her milk. Bayer will conduct clinical trials and submit Tracy's AAT for approval by health regulatory bodies around the

Not only does Tracy produce vast amounts of AAT by com-parison with the laborious process of blood extraction, but has now doubled Continued on page 14

# Opec agrees oil output cut in move to shore up prices

By Deborah Hargreaves in Geneva

MINISTERS from the Organisation of Petroleum Exporting Countries (Opec) agreed late last night to cut their production by just over 1m barrels a day in a desperate attempt to shore up oil prices.

The deal was a hasty com-promise stitched together after five days of the toughest talks among oil producers since the Gulf crisis. But the deal failed to hide deep divisions within the organisation over its future policy on oil prices.
The agreement, which is

designed to underpin world oil prices, could be undermined as Saudi Arabia and Iran, two of Opec's largest producers, pub-licly expressed doubts about its Saudi Arabia called the credibility of the deal into question when Mr Hisham Nazer, the

kingdom's oil minister, said he

was dissatisfied with his coun-

try's production allocation. Mr

Nazer was under strong pres-sure from King Fahd, the

Saudi ruler, to resist attempts

Croatias Vukovar, scene of the civil war's

by other producers to force the kingdom to cut its output below 8m barrels a day (b/d). Mr Gholamreza Aqazadeh, Iran's oil minister, would have liked to have seen the organisation implement a substan-tially larger production cut-back to help make prices firmer. He said: "I cannot accept this ceiling and believe

tricent this centing and believe it cannot help the price."
The overall production celling agreed by Opec's 13 members calls for a reduction in the flow of oil to 22.9m b/d from current production of 24.2m b/ d, with members reducing output by an average of 9 per cent. But since Saudi Arabia has said it will not abide by its allocation of 7.9m b/d and will produce at about 8m b/d, over-all Opec output will be slightly higher than 23m b/d in the next two months. Mr Nazer said: "It is better to

arrive at any agreement than at no agreement at all." There

was general agreement that it

market that producers were willing to cut production. Oil prices since last November have declined by more than \$4 a barrel, putting a squeeze on Opec members' revenues.

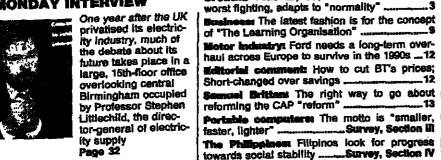
According to Mr Mike Rothman, senior energy futures analyst at Merill Lynch, an agreement to cut production to 23m b/d will do little more than

keep oil prices where they are now – at about \$18.50 a barrel for North Sea crude. Mr Nordine Ait Laoussine, Algeria's oil minister, said: "I don't believe it's enough to bring about a meaningful price recovery which we'd all hoped for, but it's large enough to arrest a further deterioration of the market which we all

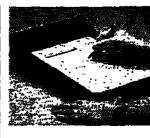
Saudi Arabia invested billions of dollars during the Gulf crisis to help make up for the absence of Iraqi and Kuwaiti crude from the market. It is Continued on Page 14

Russian strike, Page 3

#### was crucial to signal to the FT SURVEYS THIS WEEK



Editorial comment: How to cut BT's prices; Short-changed over savings ... Samuel Brittans The right way to go about reforming the CAP "reform" .... Portable computers: The motto is "smaller, faster, lighter" ......Survey, Section III The Philippiness Filipinos look for progress towards social stability ......Survey, Section IV 2-8 Building Contracts ...... .... 18,19 Businessman's Diery ... 21



Portable Computers New pen-based computer systems generate excitement because they allow a wide range of users to exploit computer technology. These systems could herald the next revolution in computing: see today's survey.

Philippines: belated reforms aim to counter economic drift. See separate section. Portable Computers: how technology is changing attitudes towards computing.

ETOMORROW: Tyne and Wear: a resillent E WEDNESDAY: F7 Traveller, Hong Kong: our guide for the business visitor.

Separate section.

E THURSDAY: Corporate Contracted Services: cost savings spur use of outside agencies. Vehicle Fleet Management: coping with a stretched car and truck replacement cycle.

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# Peréz firm on economy after attempted coup

THE Venezuelan president, Mr Carlos Andrés Pérez, sees no reason to backtrack on economic reform because of an attempted military coup two weeks ago and predicts support for his government will grow this year as the benefits of

reform become apparent.

Mr Pérez said: "We are at the point where the benefits are beginning to percolate all sectors of the society."
In an interview in his office

in the battle-scarred Miraflores Palace, he said: "There is no reason to delay any privatisa-tion." The government man-aged to complete a small hotel privatisation on February 5, the day after the attempted

He said the coup was being planned before his administration came to power. However, public opposition to the economic programme might have led the coup leaders to believe that the climate was right to take over the government, he

military intelligence system that failed to detect the planning of the coup. His govern-ment might not have taken sufficient notice of political opposition which had given the impression of "immense dis-

content" in the country.

He had ordered a significant restructuring of the armed forces, affecting not only personnel but also their general conditions. Officials close to the armed forces have said the military has been granted a 30 per cent pay rise, higher than the increase earlier planned. Although only a minority of



Flashback to the coup attempt: soldiers loyal to Pérez open fire at rebels near the airforce base of La Carlota

and national guard remaining loyal, a deep investigation into was none the less

However, Mr Pérez saw no need for a civilian defence min-ister in place of the traditional military one, despite there being no constitutional obstacle to such a change.

Mr Pérez renewed a call for a mechanism that would allow

international armed intervention to restore democracy where a military coup had taken place. This would be important in Latin America where "military coups have been frequent in history". On the economy, he predicted that as his economic programme's benefits became

more extensive, opposition to it from political parties would

weaken. "It will be difficult for

the parties to deny this reality," he said.
His economic policy has been opposed in the Venezue-lan Congress, in particular by his own Democratic Action party, throughout the three years of his administration. The president said that popu-

lar discontent over the pro-gramme was strongest, not among the poor as has been widely depicted, but among the

middle classes. He admitted that this sector of society had suffered as a result of his economic programme, but defended it as necessary.

Venezuela had been "the most subsidised economy in the region", and an economy which was "almost completely artificial".

He was pursuing a policy of "rapprochement and dialogue" with the parties, and had

# invited them to take part in the preparation of new social programmes announced at the end of last year.

. The government was on the verge of completing negotiations over loan agreements with the World Bank and Inter-American Development Bank on a \$4bn (£2.2bn), five-year social programme to improve health and water supplies, aducation, child care and nutrition

in poor areas.

He said corruption in government – a cause of widespread discontent – had not
been ended in Venezuela. But many measures taken by his administration had "eliminated the discretion of the government to define relations in the commercial, industrial and eco-nomic life of the country".

These included the abolition of preferential exchange rates, import licensing and the intro-duction of a bidding process for

public works. He defended the decision, criticised widely inside and outside the country, to censor the press in the days immediately after the coup attempt. This was not meant to curb freedom of expression, but was taken for military reasons, to prevent the spread of false information that could affect the morale of the armed forces. Since then, leading journals have agreed to exercise self-restraint and the curbs have

been lifted.

The president said he was armed with a machine-gun as

he made his escape from Miraf-lores on February 4 to a televibegan to collapse after his broadcast to the country.

the exchange rate is unaccept

Mr Tavares Moreira, also indirectly criticised the govern-ment's 1992 budget which

set to rise by about 36 per cent.

"It falls short of our expecta-tions," he said. The bank has made control

of inflation through high inter-

est rates its main priority, but he said there was no intention

able and goes too far."

envisages cutting the budget deficit from above 6.5 per cent of GDP to 5.2 per cent this mainly by increasing revenues while current expenditures are

# Musawi killing likely to promote Shia extremism

THE assassination of Sheikh Abbas Musawi, the leader of the Lebanese Hizbollah, by Israeli helicopter gunships yes-terday is likely to favour the re-emergence of more extreme elements in the Shia Moslem movement and destabilise the fragile political consensus in Lebanon.

Sheikh Abbas, who acceded to the leadership of the "Party of God" in May of last year, presided over the Hizboliah

presided over the Hizboliah through the denouement of the western hostage crisis. Unlike his predecessor, Sheikh Sobhi Tofsili, he said the hostage-taking had been a mistake.

In recent interviews he spoke of the possibility of participating in mainstream Lebanese politics, even saying he could envisage the day when Hizboliah would elect deputies to perliament and have cabinet to parliament and have cabinet ministers to defend the inter-

ests of Lebanese Shia. Only last month, Sheikh Abbas defused a crisis between the Lebanese army and Hizbol-lah, personally visiting army officers in Tyre after pro-Israeli Maronite Christian officers ordered the arrest of Hizbollah fighters during a funeral ser-vice for guerrillas killed in southern Lebanon.

A soft-spoken cleric, born 38 years ago in the Bekaa Valley village of Nabihabeet, Sheikh Abbas wore the black turban of a sayyid or descendant of the prophet Mohamed. Like his prophet Mohamed. Like his
mentor, Shaikh Mohamed Hussein Fadlallah, he studied in
the southern Iraqi city of
Najaf, seat of Shia theology.
A photograph of Iranian
president Hashemi Rafsanjani
sat on the deak of his office in
Beitrut's Bir-Ki-Ashed district.
Ashed in a recent interview
whether it was true that His-Asked in a recent interview whether it was true that Hizbollah had broken links with Hojatolialam All-Akbar Mohtashemi, the former Iranian minister of the Interior who founded the Lebanese movement, Shalkh Abas responded Our links are with the government of Iran not

the government of Iran — not with individuals."

negotiated the release of the last remaining British and American hostages; Mohtashemi's parliamentary faction is known to have opposed the resolution of the hostage crisis. On the question of the Israeli

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occupation of southern Lebanon and the continued imprisonment of more than 200 Shia Moslems by Israel in Khiam prison in southern Lebanon,

prison in southern Lebanon, Sheikh Abbas was implacable.
"Our hatred for Israel will never change." he said. While the Lebanese government disarmed other militias last year, he obtained a special status for the Hizbollah by convincing the Lebanese and Syrian governments that Hizbollah was a "resistance movement" which could not be disbanded before Israel ended its occupation of southern Lebanon.

straet enueu us occupation of southern Lebanon. Under Sheikh Abbas, Hisbol-lah improved its sometimes confrontational relationship with Damascus, and Syria is with Damascus, and Syla is certain to be enraged by his assassination. By encouraging the Hizboilah to attack the Israelis and their proxy militia-forces in southern Lebanon, the Syrians retained a valuable bargaining card in their negoti-stions with Israel.

in the aftermath of Sheikh Abbas's death, Israel stands little chance of retrieving the bodies of several servicemen still missing in Lebanon.

His assassination can only worsen the security situation in Lebanon. A leading member of Islamic Jihad, a Hizbollah offshoot, predicted last autumn that attacks against western interests would recurse if the interests would resume if the Israelis continued to kidnap Shias in southern Lehanon. Six men were abducted by the Israelis from Sheikh Obeid's village of Jibsheet last month, three of whom were later released. Sheikh Abbas Musawi was a relative moder.

ate in an extremist moveme His violent death will provok demands for revenge. And if the Hizboliah cannot attack the Israelis directly, they may vent their rage on easier tar-

## Israelis in jobs protest

tries (IMI), one of the country's biggest state-owned weapons exporters, and staged an angry demonstration outside Prime Minister Yitzhak Shamir's office to protest at plans for heavy lay-offs at the lo ing company, writes Hugh Carnegy in Jerusalem.

The one-day strike at IMI, best known for, producing the Uzi sub-machine gun, follows a steep decline in the fortunes of Israel's military manufacturers. It is an uncomfortable sign for Mr Shamir's government, which faces a general election prices at IML

THOUSANDS of workers in June of growing unease at yesterday shut down production at Israel Military Industrian at more than 10 per cent of the

Mr Shamir and Mr Moshe Arens, the defence minister, with the IMI workers leaders after some 7.000 demonstrators lines. The two ministers agreed to seek ways of preventing the implementation of plans by IMI to dismiss up to 1,500 of its 9,000-strong workforce.
The Defence Ministry has

already backtracked on plans to buy two types of an tion overseas because of high

## **Democrats counter** Bush tax cut plans

By George Graham in Washington

DEMOCRATS in Congress have countered President George Bush's bid for a cut in the capital gains tax rate with a proposal to index all future capital gains to inflation.

The indexation plan forms part of a \$90bn (£49.7bn) tax reform package put together by Democrats on the ways and ans committee of the House of Representatives, Congress's key tax body, in response to the Bush package backed by the Republicans.

While Democratic party leaders have opposed a capital gains tax cut as a gift to the rich – they claim 70 per cent of the money would go to people earning over \$100,000 a year — it became clear last week that many Democrat backbenchers favoured some form of cut.

Mr Dan Rostenkowski, ways and means chairman, tried to craft a cut that would target middle income families by giving a bigger exclusion to those earning less than \$100,000. But his committee opted for

indexation, applied to all new assets except collectibles, on the grounds of simplicity.

While indexation would still bring big benefits to the rich, a 1990 study by the Congressional Budget Office showed that the gains realised by lower income taxpayers contain a greater proportion of inflation than those realised by the

Many tax reformers have advocated indexation of capital gains on the grounds that much of the gain is merely the result of inflation, and does not represent a real income rise.

This was one of the reasons given this year by the US Trea-

sury for the cut proposed by Mr Bush to a top rate of 15.4 per cent for long term gains. Congressional aides expect indexation to cost \$3.5bn in lost revenue over the next six years, and in the short term the measure might even bring in some additional revenue, as investors roll over their assets to establish a new base for

# Bank of Portugal attacks OECD report

By Patrick Blum and Andrew Jack in Lisbon

THE Bank of Portugal has dismissed Portuguese inflation forecasts made by the Organi-sation for Economic Co-opera-tion and Development (OECD) in its latest report on the econ-omy as inaccurate and

Mr Jose Alberto Tavares Moreira, bank governor, said the OECD's forecast of 10.5 per cent inflation for 1992 was "clearly nonsense and impru-dent" at a time when the gov-ernment is locked into conflict with public sector unions over this year's annual pay

"This will create problems internally. It is the net contri-

By Hilary Barnes in Copenhagen

DENMARK achieved a record

DKr14.1bn (£1.27bn) surplus on

the current balance of pay-

ments in 1991, up from DKr8.1bn in 1990, which was

the first surplus for 27 years. The 1991 surplus included a DKr51.5bn surplus on the bal-

bution of the OECD in these negotiations and confused state of affairs," he said. The government hopes to

keep inflation at 8 per cent this year, down from 11.4 per cent in 1991. Mr Tavares Moreira admitted it might be difficult to meet that target, but said price rises would remain clearly below 9.5 per cent this

In line with its target, the government announced just over a week ago that it was imposing an 8 per cent pay set-tlement for public administration employees. This angered public sector trade unions which have called a one-day

vices, about 8 per cent of the

nal account and its low, 2.5 per

cent inflation rate are, how-

ever, associated with other less

Unemployment is higher

satisfactory developments.

The country's strong exter-

gross domestic product.

national strike for tomorrow in Mr Tavares Moreira said it was likely the government would not be able to reach a formal agreement with the

unions over wages this year, but that no agreement would be better than one allowing excessive wage rises. He also criticised an OECD ruggestion to allow the escudo to appreciate freely against

We think this would be extremely dangerous for the economy and would jeopardise restructuring efforts in many sectors. The OECD suggestion that we should completely free

justed 10.9 per cent in Decem-

ber, while an expected recov-

ery in growth last year failed

Revised official GDP esti-

mates for the first three quar-

ters of 1991 indicate an

Recovery eludes Danes despite record surplus

ernment expected a growth rate of about 1.7 per cent as recently as December. Mr Henning Dyremose, the finance minister, has also conceded that the forecast GDP

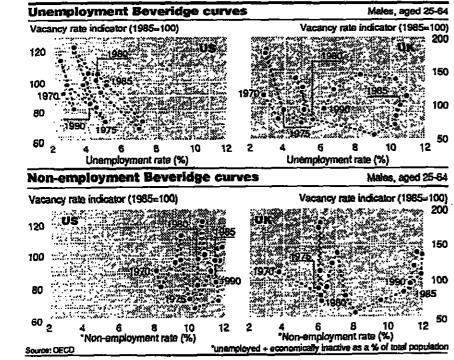
same period in 1990. The gov-

#### increase in real GDP of only growth of 2.4 per cent for 1992 about 0.2 per cent from the is unlikely to be realised. ance of trade in goods and serthan ever at a seasonally-ad-INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

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<b>i</b>	105.7	101.0	6.9	98.0	108.1	106.5	99.7	28	94,3	105.3	103.6	102.2	6.4	136.4	104.0	102.4	101.1	10,4	107.2	108.6	106.0	104,1	10.4	110.5	105.2	102.4	11.2	116.1	105.3	• •
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3	112.2	111.6	5.4	106.1	114.5	122.8	112.9	2.5	135.9	122.9	110.6	108.2	6.2	164.7	111.5	107.9	107.3	10.0	134.9	112.7	110.2	114,2	10.9	117.9	117.7	109.5	8.5	144.3	108.2	
•	114,7	114.5	5.2	99.3	113.5	132.8	119.9	23	147.0	126.5	113.7	111.4	5.8	218.9	114.5	109.6	111.3	9.4	161.3	112.4	117.9	118.7	10.9	118.0	119.8	109.9	7.1	124.7	105.6	-
•	114.1	115.7	5.4	84.5	109.4	142.0	125.3	2.1	149.7	124.4	122.9	117.2	5.1	261.5	115.2	110.1	112.7	8.9	. 165.6	106.6	114.3	118.0	9,8	112.3	120.4	109.3	6,9	97.9	103.7	
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	-1.1	-2.7	6.8	62.5	111.9	1.8	4.3	21	146.4	124.3	6.7	3.0	4.5	275.4	113.1	-20	0.2	9.3	129,5	107.6	-7.0	-2.5	11.8.	114.1	-3.4	<del>−</del> 6.0	9.2	63.1	106.8	
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Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985 = 100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise statud. The

ner data from national government sources except Japan and Italy (value series defiated by OECD using CPI). Reters to total retail sales except France and Italy (major outlets a supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Use-reployment rater CECD standardised rate which adjusts a notifyment, expressed in Index form. Derived from OECD series. US — help wanted advertising, Japan — new vacancies, Germany and France — all jobe vacant, Italy — no di



# **Exploding some 1980s "unemployment" myths**

RISING unemployment rates in the US and across Europe are injecting a new urgency into the search for effective policies to help the unemployed return to work when these economies eventually recover. That makes now a good time to expose the fallacies which underpin one supposed cure for the problem of long-term joblessness: limiting the period that the unemployed can claim unemployment benefit.

The latest proponents of this view are Professor Richard Layard and Dr John Philpott of the London-based Employment institute. In a recent booklet entitied Stopping Unemployment, they argue that unemployment benefits should be limited to a maximum of 12 months, and combined with extensive counselling and retraining. Their policy recommendations are based on two pieces of evidence: first, that those countries which restrict the duration of unemployment benefit, in particular the US and Sweden, have not suffered from persistent long-term unemployment in the 1980s; and second, that the UK government's Restart programme, which since 1986 has required

every unemployed person to attend regu-lar interviews to ensure they are "actively seeking work", has encouraged many of the long-term unemployed to return to work.

At first sight the evidence does appear to support Layard and Philipott's conclu-sions. The US and UK unemployment records are tracked in the top two diagrams, which show the relationship between available job vacancies and the adult male unemployment rate in each year between 1970 and 1990. US unemployment tended to rise in recessions, when vacancies were low, and fell back as vacancies recovered. But in the UK in the early 1980s this downward sloping curve appeared to shift to the right. Vacancies rose yet unemployment remained stuck above 10 per cent. Only after 1986 did unemployment fall rapidly. So limiting the availability of unemployment benefits does appear to sharpen the incentives for the unemployed to apply for vacant jobs. Yet a closer look at the evidence sug-

gests a different conclusion. The problem is that the OECD's unemployment rates

only tell half the story and are thus a misleading way of measuring how much of the population is out of work. They include only those people who are actively seeking work, thereby excluding all those "discouraged workers" who have stopped searching. A better measure of jobiessness is the non-employment rate, the percentage of the popula-tion which is not in work regardless of whether they are looking for work.

Measuring "unemployment" using non-employment rates reveals that the UK has not had more male joblesaness than the US over past decade, instead, as the lower charts show, the UK has spent the last two decades catching up with the US. By 1990 the US and UK had the same male non-employment rate. But the US had a higher male non-employment rate over most of the last 20 years. Similarly, Restart does not appear to have succeeded in helping the long-term unemployed to return to work. While the UK unemployment rate almost halved between 1986 and 1990, the non-employment rate fell by just 0.5 percentage points. Instead, the long-term unem-

ployed have largely been re-classified out of the unemployment statistics. Following their interviews, many of them appeared to be claiming sickness and invalidity benefit instead. In 1986, 900,000 men were claiming this benefit, just 50,000 higher than in 1980. But between 1988 and 1990 male recipients rose by 25. per cent to 1.12m, while the number of women claimants more than doubled. 🎏

Why does the US have so many more discouraged workers than the UK? One reason might be the limited duration of US unemployment benefits. The US long-term unemployed have no incentive to appear to be searching for work and thus feature in the OECD's unemployment rate, whereas in the UK, where benefits are only paid to active job-seekers, they do have such an incentive. So while the duration of benefits does not appear to affect the level of non-employment, it may well determine the distribution of the non-employed between being classified as unemployed and economically inactive.

**Edward Balls** 

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killing Industrialists criticise reform

Promo Bonn pledges remiss further cuts in corporate tax

By Quentin Peel in Bonn

GERMAN industrialists have been promised a second round of corporate tax cuts before the end of the year, after criticising last week's government tax reforms as inadequate to

improve competitiveness.

At the same time they stepped up at the weekend their campaign calling for further substantial tax cuts, and weeking of the dampers of his ther substantial tax cuts, and warning of the dangers of big increases in the current round of wage negotiations. Both the federation of Ger-

man industry (BDI) and Mr Jürgen Möllemann, economics minister, agreed in separate statements that top marginal rates of both corporate and income tax should be cut to 46

per cent, from 50 and 53 per cent respectively.

However, while Mr Mölle-mann promised a second round of tax reforms this year, the industrialists voiced doubts
that it would be possible, given
the strain on the state budget.
The BDI issued a sharp critique of the tax package

approved on Friday in the Bundesrat, the upper house of the German parliament, in spite of government jubilation at having splif the Social Democrat opposition when forcing the bill through a months-long

negotiating procedure.
By offering German states, especially the five in former East Germany, a significant transfer of tax revenues, including the entire benefit of an increase in value added tar-from 14 to 15 per cent next. year, the central government had left itself no further room

The package - which would originally have given the business sector overall cuts of about DM7.4bn (£2.57bn) through increased thresholds for business property tax and tax on trade earnings, and the abolition of trading capital tax - was watered down to a net gain of only DM4.4bn in negotiations. The trading capital tax

for tax reform manoeuvre.

will now be retained.

The BDI said in a statement that industry feared the "exceedingly" generous finan-cial offer to the federal states "limits the negotiating capacity of the state excessively, and leaves no room for necessary

Mr Helmut Schlesinger, Bundesbank president sees no compelling motivations at the moment to either raise or lower German interest rates, according to an interview published in Der Spiegel, AP-DJ reports from Frankfurt.

He also admits in the

German magazine article that the Bundesbank's middle range goal of a 2 per cent inflation rate will not be reached this year. However it was possible that the rate this year could show a "3 before the decimal point" if certain conditions

were met.

steps to reform".

Mr Heinrich Weiss, president
of the BDI, said in an interview
at the weekend that Germany was losing 100,000 jobs a year because German companies were investing overseas as a result of high wages and taxes. Mr Klaus Murmann, president of the German employers' asso-ciation, the BDA, said there would be a further export of jobs if there was not a radical

change in wages policy. However, Mrs Monika Wulf-Mathies, leader of the public service trade union, OTV, said last week's fax package, including the VAT increase, gave the unions "no reason to show restraint". Her union's annual wage negotiations with the government have just

The Social Democrats (SPD) have been left in disarray as a result of the tax deal, having sought to block it entirely in the Bundesrat.

As a result, the city govern-ment of Berlin, ruled by a grand coalition of SPD and Chancellor Helmut Kohl's Christian Democrats (CDU), is Mr Eberhard Diengen, the CDU mayor, threw his weight behind the tax package on Friday, to the dismay of his SPD colleagues.

Mr Björn Enghalm, SPD national chairman, is attempting to save some face for his party by appealing today for national negotiations on the

state of the economy.

Russian oil workers

# Vukovar adapts to post-war 'normality'

Neither Serbs nor Croats are yet committed to the city's renewal, writes Laura Silber

IFE in Vukovar, scene of the worst fighting dur-ing the seven-month war in the breakaway republic of Croatia, is returning to normal. That is according to Serb-

in the streets, the picture is different. The federal army has cleared the corpses from the streets. It has bulldozed away the rubble left by the war. But the charred skeletons of build-ings bear testimony to last year's three-month-long battle for control of Vukovar between Serb irregulars backed by the

Yugoslav army and the Croat national guard. Serbia, under President Slobodan Milosevic, has prom-ised to help rebuild this city. Serbian news reports boast of progress in the renovation of Vukovar, currently under fed-eral army control. But neither Serbia nor Croatia will commit themselves to rebuilding Vukovar. set on the banks of the River Danube in the contested fertile plains of eastern Croatia, until the question of borders is settled.

Not a single structure in the city centre escaped damage. The trees are blackened by battle. The altar of the Catholic church stands at a bizarre angle. The rest of the building has crumbled under grenades. An army officer married a local Yukovar bride at the weekend in the Serbian Ortho-

ONE of two rival parliaments in the Serbian enclave of Krajina voted yesterday to onst Mr Milan Babic, the president, over his opposition to a UN peace

plan, writes Laura Silber in Belgrade. About half the deputies in Krajina's parliament met in the Serb-controlled town of Glina, central Croatia, and voted to oust the enclave's government. The move was apparently directed by Serbia, which has politically marginalised Mr Babic over his opposition to the UN initiative.

Mr Babic denounced the decision as illegal and said he had "no intention of stepping down".

dox church. The priest says a

bomb planted in the church last November tore away the roof and destroyed all but one of the 250-year-old frescoes. "I have lost everything. All I own are the clothes on my back" says Mr Jovan Njegic, weeping in the church. Mr Njegic, a 63-year old retired accountant who is a Serb, says: "Before the troubles started, we never asked about people's nationality. Now there there is no one laft to ask." His wife, a Croat, fled to Croatia last autumn. Two of

his three children, who mar-



ried Croats, have abandoned the town fearing reprisals by Serb fighters who seized conor in igners who served con-trol of the local government. One of Mr Njegic's sons, an architect, remained to help in the rebuilding of Vukovar. But the buildings which can be restored, even if funds were available, are a tiny minority.

The people who have remained in Vukovar have nowhere else to go. Mr Zeljko Vicetic, a former factory worker now a policeman, is clearing out refuse, the destroyed belongings of the for-mer tenant. Mr Vicetic, a Serb,

says the local government gave him permission to restore the flat for his aunt. The fate of Mr used to occupy the flat is unknown. He is either dead or in prison. He was Ustashe,"

the brutal Croat fascist regime during the Second World War. From his swaying balcony the once-pretty view is one of ruin. Next door, Mrs Marija Lukic, a 51-year-old Croat facbory worker, says: 'During the fighting I huddled in my fourth-floor flat with my Serbian neighbours. I told my chil-

dren to leave, that my fate was Mrs Lukic, who was seriously wounded when mortars shattered the walls of her flat. just one week before Vukovar fell to the army on November 18, is uncertain about her future. The fighting destroyed the Borovo rubber factory where she was employed. She receives no benefits from Croa-

on handouts from the army.
They take their meals at the local barracks, which despite claims of a Croat siege were barely damaged during the fighting. Army check points at every village leading to Vukovar require inhabitants to show a special pass. Many of Vukovar's inhabitants appear to welcome the arrival of the UN peacekeepers who will replace the army. But they are clearly unaware of the terms of the UN plan. Uncertain about a life under UN protection, they say the peacekeepers should not be stationed in Vukovar.

tia or Serbia. She and the few

thousand people who have returned to Vukovar survive

But most people do not leave Vukovar. Mr Njegic says he has no money to travel any-where. Waiting for help, he will remain amid the ghosts of a once harmonious population. He says: "No one will give any real aid until they decide who Vukovar belongs to."

#### Swiss reject tighter code on animal protection

SWISS voters yesterday rejected a proposal that would have tightened further already stiff regulations on animal experiments, Reuter reports

from Zurich.
Officials in Berne said a majority of Switzerland's can tons (regions) had voted against the proposal, which had sparked one of the country's most emotive referendum campaigns.

To succeed, the proposal needed the backing of at least half of Switzerland's 26 cantons, regardless of the popular

The drugs industry and gov-ernment had said the proposal would cut life-saving research and jobs.

Interpharma, an organisa-tion representing Switzerland's world-leading pharmaceutical and chemical industry, said the result was a "clear indication of the commitment of the of the commitment of the Swiss people to continue as a leading country in medical and biomedical research".

A spokesman for the Swiss Animal Protection League, which launched the referen-dum, expressed disappointment over the result but said the League would go on looking for ways to improve animal protection.

# lower production By Leyia Soulton in Moscow

their oil production to press demands for the freeing of energy prices, special tax ben-fits, and improved supplies of industrial equipment, food and consumer goods.

Itar-Tass news agency said workers in the Komi autono-mous republic, who began

warning stoppages at 96 oil wells at the weekend, had decided to abstain from further action elsewhere intil today, pending talks with the government in Moscow. The shortfall amounts to more than 3,500 tonnes a day.

Oil workers in both Komi and Tyumen, by far Russia's



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Brussels, Belgium, Tele-phone: 32-2-647-7825,

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STRIKING oil workers in largest oil producing region, have been threatening strike action for weeks. They say the government has failed to honour a promise by President Boris Yeltsin to let them sell methods. one-tenth of the oil produced for their own benefit. The gov-ernment has been working on a deal to raise workers' pay and eventually to free the domestic price of oil, currently fixed at Rbs350 a tonne for deliveries to the state.

Total Russian oil output last year is estimated at 461m tonnes, 11 per cent down from 1990.

• Cuba has begun deliveries

of raw sugar to Russia in exchange for badly-needed crude oil, Radio Moscow said yesterday.

The report said Cuba would

deliver 500,000 tonnes of sugar, paid for with 900,000 tonnes of crude oil, by the end of April. The Russian government said last month it planned to sell 1.5m tonnes of oil, 400,000 tonnes of mazut fuel in January and February to pay for 1m tonnes of raw sugar.

Interfax news agency said the deal was offered first to Cuba, with the commodities offered on world markets if no The barter arrangement was based on world prices.

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#### INTERNATIONAL NEWS

#### Algeria presses **Gulf states** for aid

AONDAY I FRRI

By Tony Walker in Algiers

ALGERIA is pressing Gulf states and potential aid donors for up to \$2bn (£1.1bn) in emer-gency assistance to combat severe economic difficulties, which it blames for recent Islamic fundamentalist-inspired unrest,

Mr Lakdar Brahimi, Algeria's foreign minister, visited Saudi Arabia at the weekend at the start of a Gulf tour apparently aimed at securing Arab

financial support.

According to Algerian officials, Mr Brahimi is taking a similar message to that put in Lisbon, last week, to his Portu-guese counterpart, Mr Joao de Deus Pinheiro.

"We need assistance right now," said one official. "If, tomorrow, there is civil war, the instability will be felt everywhere, including Europe and the Arab world."

A state of emergency was declared in Algeria about a week ago after days of rioting had left at least 50 people dead and hundreds wounded. The disturbances followed the can-cellation of a second round of voting in national elections in which the Islamic Salvation Front (FIS) was certain to con-solidate a landslide victory. Algeria's plea for additional help coincides with delicate

negotiations with its main creditor banks for the "re-pro-filing" of about \$1.5bn in short-term commercial debt.

Algerian central bank officials insist they are not seek-ing rescheduling, but are ask-ing instead for an extension of the debt's maturities to an average of about eight years. About 85 per cent of the debt is owed to Japanese and French

Attempts by a core group of creditor banks, led by Credit Lyonnais to reach agreement on a "re-profiling" package are being held up because of objec-tions by Bankers Trust of the US whose limited exposure in Algeria amounts to about

It is estimated that such an arrangement would release about \$800m to help fund imports of raw materials, spare parts and equipment to spur

Algeria's recovery.

The government is finalising an emergency economic programme aimed at solving Algeria's chronic housing problem and at providing jobs for an army of unemployed young

totals about \$27bn has been squeezed since the mid-1980s by the collapse in oil prices. Its economy - oil and gas account for 97 per cent of tered negative growth in recent years, and its difficul-ties in meeting its debt com-mitments have added to its

economic woes. Mr Mohammed Boudiaf, head of a military-backed five-man presidency set up to rule Algeria, told the foreign press yesterday there "may be 5,000 to 6,000" FIS supporters in detention carms

etention camps. It was the first official acknowledgement that such a large number of suspected FIS activists had been rounded up. Previously, government officials had spoken of hundreds.

The authorities are known to have earthlished accepted determined. have established several deten-tion centres outside Algiers to accommodate people arrested under the state of emergency declared more than a week

# South Africa's master of the strategic compromise

Cyril Ramaphosa, ANC secretary-general, is instrumental in shaping a post-apartheid society, writes Patti Waldmeir

HE African National Conparty, he concedes: "We would you share power by saying that on oress is willing to make major agree, soon after a new constitution certain clauses of the constitution gress is willing to make major concessions on the issue of multi-radial power sharing in a post-apartheid South Africa, which could form the basis of an eventual deal on a new democratic constitution. Mr Cyril Ramaphosa, ANC sec-retary-general, said in an interview that a post-spartheid ANC govern-ment would rule in coalition with

ment would rule in coalition with the mainly white National Party, the current ruling party, even if the ANC won a large majority of votes.

The 33-year-old Mr Ramaphoea is the most important black leader in South Africa spart from ANC President Nelson Mandela. When it comes to ANC policy, his influence not only rivals, but possibly enceeds, that of the septuagenarian Mr Mandela. It might be argued that South Africans would not now be pushing forward to all-party interim government if it were not for Mr Ramaphoea. When he took over as secretary-general last July, the ANC and Pretoria were locked in a fruitless dispute over violence. He

less dispute over violence. He insisted that talks on a new constitution begin immediately, dropping the pre-condition (imposed by Mr Mand-ela, among others) that certain obstacles first be removed. A man of

easy charm and humour, he quickly won the trust of his interlocutors. As a former trade unionist, he is a master of the strategic compromise. True to form, he used an interview with the Financial Times to offer significant concessions to the ruling National Party.

On a coalition with the National

party, he conceues: "We would agree, soon after a new constitution is adopted, you may well need to bring in people from other parties into government." He speaks in the soft and deliberate voice, devoid of arrogance, which makes him such a favourite among senior Nationalists. He cites the example of Zimbabwe, where white ministers held key port-folios in the first post-independence

Coalition government is the

Coalition government is the National party's bottom line, and he knows it. But the Nationalists are demanding much more than Mr Ramaphosa is willing to give: they want rule by coalition entranched in the constitution; the ANC leader insists it should be voluntary.

"We would be quite vehemently opposed to a situation where we would be forced to get into a coalition government with any party...our view is that forced marriages don't work." He believes that coalitions will arise naturally out of South Africa's political and ethnic South Africa's political and ethnic

The Nationalists want more secu-rity than that, to prevent domina-tion by the black population: South Africa, including the nominally inde-pendent "homelands", has 28m blacks and only 5m whites. Mr Ramaphosa has an offer to

make in this regard as well: "You need a constitution which has sufficient checks and balances to prevent one dominant party exercising power all on its own. But checks and balances are not all he is offer-ing: "you could have a system where

emending the constitution or taking particular decisions — you would require...a majority which would need the agreement of other parties in parliament."

"That could well be a permanent factors to a constitution.

"That could well be a permanent feature in a constitution ... the type of feature that could give comfort to those parties that feel they could be marginalised by a majority party."

That would depend, of course, on the areas subject to joint decision-making. Here Mr Ramaphosa is surprisingly flexible; he suggests that the budget might be one such area.

n the issue of devolution of power to the regions — one of the main planks in Nationalist strategy — Mr Ramaphoea is conciliatory; as a liberation movement, the ANC clings to the vision of a popular grassroots democracy requiring maximum devolution. But he knows that the Nationalists want devolution so that they can weeken a central government dominated by the ANC, and to enable them to retain what he calls "pockets of apartheid" — white neighbourhoods where local regulations effectively keep out blacks. That would be "completely out of the question," he says.

For the moment, forming an interim government is the priority. The ANC proposes a council of state to make policy, while ministers continue to run their departments; Pretoria could probably agree to this. But Mr Ramaphosa says an interim

parliament/constituent assembly would have to be unicameral, with no special weighting for minorities the government wants a bicameral body, with an upper house where minorities have veto power. That could well be the crunch

"That could well be the crunch point," says Mr Ramaphosa. "We can only think of one method of election, that is one person one vote on a common voters roll based on proportional representation."

On economic policy, there is likely to be even less common ground between Pretoria and the ANC — despite recent reassurances from Mr Mandela that the ANC has outgrown nationalisation. The ANC president may have realised the dangers of preaching nationalisation — foreign investors on his recent overseas trip clearly shocked him with the vehemence of their opposition — but other ANC leaders have learned no such leason.

other ANC leaders have learned no such leason.

Mr Bamanhosa could well prove Mr Mandela's sternest opponent on the issue when the ANC meets for an economic conference in April. He refuses to comment on economic questions — mindful, no doubt, that contradictory statements on debt repayments (from him and Mr Mandela) have hurt the ANC's image. But he is understood to describe himself privately as a socialist.

However, Mr Ramanhosa is not without humour on the matter. He drew attention to a framed cartoon

waterout number on the matter. He drew attention to a framed cartoon on his office wall: it shows him flogging a dead horse labelled "investment" and shouting "That'll teach you! Now giddup!"



#### Omani bank takes over local BCCI operations

OMAN announced yesterday that a domestic bank has taken over the local operations of the collapsed Bank of Credit and Commerce International (BCCI), allowing all BCCI depositors in the sultanate to be repaid in full, AP-DJ reports from

The central bank of Oman said BCCI's local assets and liabilities had been transferred to Bank Dhefar al-Omani

"By this action the Sultanate of Oman becomes one of the first countries in the world where [BCCI] depositors and creditors will receive their funds without any deductions, notwithstanding the deficit the balance sheet ch resulted from management abroad," the tral bank said in a which resulted

Banking sources said Oman will inject OR19m (£26.9m) into the merged institution to cover the

Oman shut down BCCI's local branches on July 5, soon after the Bank of England and other regulators seized the bank amid allegations of widespread

The Ahu Dhabi government owns a majority stake in BCCI and is currently involved in negotiations to liquidate the bank and provide partial compensation for

BCCI Oman had a loan book totalling ORA4m and deposits of OR57m, which will all now be assumed by Bank Dhofar, according to the bank's general manager, Mr Noreddin Nahawi.

He said Bank Dhofar had boosted its paid-up capital by OR10m to OR15m ahead of the



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## Iran looks to Islamic alliance in west Asia

IRAN yesterday said the inaugural summit with Turkey, Pakistan and former Soviet Moslem states was a first step towards an Islamic economic and political alliance in courth wast. Asia. Renter in south-west Asia, Renter

reports from Tehran. President Ali Akbar Hashemi Rafsanjani said shortly before opening the two-day summit it was "natural" for the emerging republics of for-mer Soviet central Asia to turn to the three founder-members of the Economic Co-operation

Organisation (ECO).
The ECO hopes the inclusion of Azerbaijan, Turkmenistan and Uzbekistan, and possibly Tajikistan, will inject new life into a group that has existed unobtrusively since its creation 27 years ago by Tehran, Ankara and Islamabad.

ally Moslem former Soviet states of Turkmenistan, Azber-baijan, Kirgizia and Khazakstan are attending the meeting.

Apart from taking in new
members, the meeting is likely to approve a 10 per cent lowering of tariff barriers between Turkey, Iran and Pakistan and to discuss steps towards frees trade and movement of people. The meeting will also offer an opportunity to discuss regional disputes such as the civil war in Afghanistan and

and Azerbaijan over Nagorno-Karabakh Iran, Pakistan and Turkey all say they support United Nations peace efforts for Afghanistan, seen as another potential ECO member

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# Dual-use goods expose EC export control disparities



single European mar-ket depends partly on how far governments are prepared to trust their Community neighbours; and nowhere will this be EUROPEAN more important than MARKET on issues of external

Concern over the quality of countries' export control systems is being brought into focus by the European Commission's plans to tear down internal harriers to the export of so-called "dual-use" goods and technologies, which can be used for civilian or strategic purposes.

The Treaty of Rome allows member states to maintain as many restricstates to maintain as many restric-tions on the trade in weapons as they think necessary. But until now national controls have also been applied to dual-use goods and technologies, even if they are only being traded between EC member states. Accepted international definitions

of such products – which are not covered by the arms-trade treaty clause – have embraced items as hiverse as personal computers, machine tools and airliners.

Movement of dual-use products within the Community may account for between 5 and 8 per cent of intra-EC trade, but neither the Com-mission nor industry has reliable figures. Both appreciate, however, that the administrative burden alone is

hampering free trade, not only between genuine buyers and sellers within the Community, but between project partners which have to

"export" and "import" dual-use com-ponents across EC borders.

Mr Hanns Glatz, Daimler-Benz's representative in Brussels, says: "In the internal market, it will be increasingly difficult to stay national in the development and production of dual-use technologies: you'll have to enter co-operation deals and alliances

across Community borders.

"As long as one of those countries is in a different export control system from another, the one subject to the tougher rules will be excluded as a partner."

Progress towards a European Com-

mission initiative on dual-use export controls has been slow.

In 1988 the Brussels official collect-ing data on existing national systems was thrown out of one foreign miniswas thrown out of one foreign minis-try on the grounds that it was none of his business. Earlier this month, how-ever, EC foreign ministers agreed that expert discussions should begin on the abolition of internal barriers and harmonisation of dual-use export controls, on the basis of a Commission discussion paper which identifies a number of "key elements" for any leg-

and technologies subject to controls.

• A common list of banned or restricted destinations for such • Common criteria for issuing licences from the EC.

• A forum for co-ordin

 Administrative co-operation between customs and licensing offices throughout the EC.

Pushing ahead, European compa-nies would like to extend any free market in dual-use goods and technol-ogies to Scandinavia and other members of the European Free Trade Association (Efta). The Commission is restricting itself to solving the prob-lems caused by EC controls for the time being, but there is a strong inter-

national dimension to its plans.
A common EC list of products
would probably encompass those
drawn up under existing international agreements. EC policy on exports beyond Community borders would also correspond with US thinking on export controls, which has gradually shifted from preoccupation with west-east controls to more complex concerns about restricting global proliferation of dual-use technology.

But although much of the hard work has been done in other forume.

work has been done in other forums, the practical difficulties which remain are enormous. The transparency of national policies – whether lists are published, for example, or even available – varies from country to country, as do the penalties for infringing the rules. Some member states levy fines of Ecu16,000 (£11,400); some have no limit or recommend impris offenders for up to seven years.



On the move: shipments of dual-use products within the Community may account for between 5 and 8 per cent of intra-EC trade

At the moment the Commission is maintaining its light touch in this sensitive area, allowing member states to debate the main political the administrative burden on EC commission's timetable – legislation by early autumn, implementations.

issues between themselves.

This is the strategy of informal consultation described by national officials as "a model of how to develop Community policy", but characterised slightly differently by one Brussels official: "The member states are making an effort to reach agreement between themselves, partly because they want to keep the Commission out."

The Commission may decide to step in if such discussion results in the harmonised and simplified licence for intra-EC trade suggested by some member states. Brussels fears such a move would restrict access to the internal market and actually increase

islation by early autumn, implementa-tion by the end of the year — is ambitious, possibly too ambitious according to some northern member states which doubt whether their EC partners will manage to bring their export control systems up to scratch in 11 months.

Even the Commission concedes in its paper that some member states "have less sophisticated control systems and little practical experi-ence, up to the present, in operating

If that situation does not change quickly, EC members will be reluc-tant to take their neighbours' efficiency on trust alone when harriers come down on January 1 1998.

# China and Taiwan membership drive tests Gatt loyalties

By Frances Williams in Geneva

A GAME of Chinese chequers is being played out at the Gen-eral Agreement on Tariffs and Trade (Gatt) over the member-ship of China and Taiwan.

Negotiations on China's 1986 request to rejoin the 103-mem-ber world trade body, stalled for more than two years, finally started to move again last week when a Gatt working party began discussing a draft protocol of accession. The talks were suspended in mid-1989 after Beiling's suppression of the pro-democracy movement and a slowdown in economic

The US and EC want further clarification of China's present and future trade regime before they are prepared to begin drafting membership terms China is to answer written questions within the next few weeks. But Beijing's renewed weeks. But Beijing's renewed push for Gatt entry has been supported by developing coun-tries such as India and Mexico. Trade officials in Geneva see a link between these develop-ments and Taiwan's member-

Taiwan applied to join in January 1990 as a "separate customs territory" — the same formula used for Hong Kong

and Macao, which are already Beijing has dropped its out-right opposition to Taiwanese

membership but insists the island cannot join before China does. Washington, which is lobbying for Taipei's Gatt application to be admitted, says there can be no link between the two sets of negoti-

Taiwan's candidacy is sup-ported by Gatt's industrialised members. But developing nations have been reluctant to ations. give their backing without Bei-

ing's sanction.

The most likely outcome of behind-the-scenes discussions now under way in Gatt is an understanding with Beiling that, while there can be no for-mal linkage, negotiations on mal linkage, negotiations on Chinese membership will be intensified. If all goes accord-ing to plan, Gatt's governing council will decide next month to establish a working party on Taiwan's membership applica-

Since Taiwan is a market economy that has already taken steps to liberalise trade, drafting its accession protocol could in theory be completed within a year. This scarcely looks feasible for China, which will need special rules written into its terms of entry to take account of its planned econ-

The next meeting of the China working party is likely to be held this spring.

## Brittan to step up calls for Japanese market access

SIR Leon Brittan, the EC competition and financial services commissioner, will today renew pressure on Japan to provide genuine equal access to its markets for EC financial institutions, when he addresses the Japanese Financial Services Institute in Tokyo, writes

vices institute in Toxyo, wross Andrew Hill in Brussels. During his six-day visit to Japan Sir Leon is also expected to criticise the international drift towards bilisteral trade agreements, such as that between Tokyo and the US. Since Sir Leon's last visit to apan a year ago, the Commu-ity has issued a joint declara-

tion with Japan which called for "equitable access" to both markets and set up a frame-work for regular high-level political contacts.

The EC and Japan also reached agreement on plans to open the Community market fully to Japanese car imports

Sir Leon is expected to praise progress made by Tokyo in removing obstacles to foreign companies and enforcing competition powers. But in meetings with politicians and business leaders he will stress the need for Japan to continue the process.

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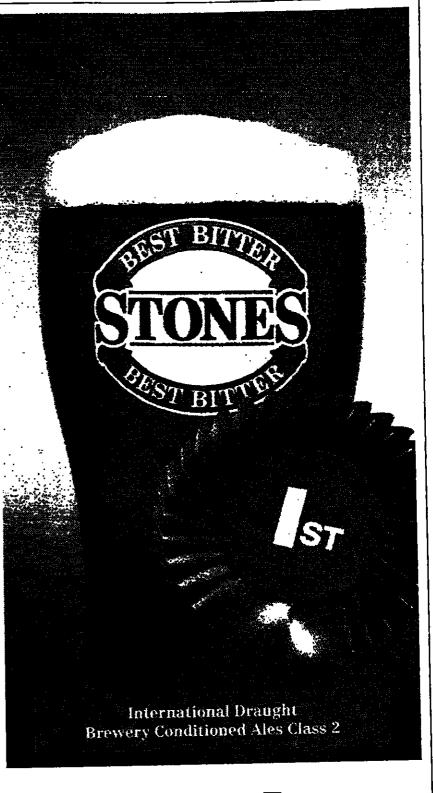
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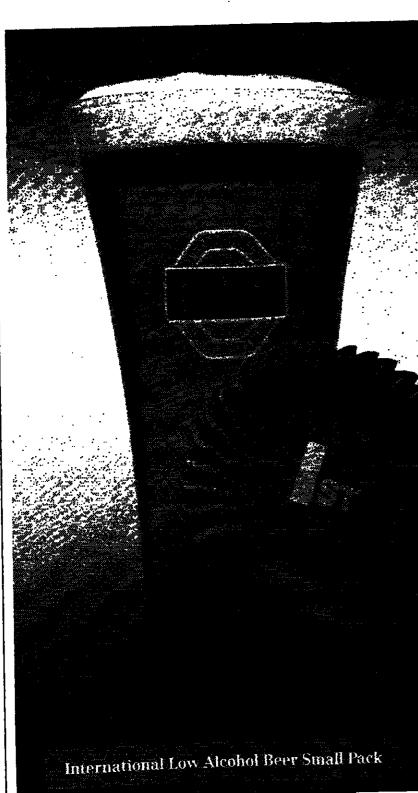
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#### **UK NEWS**

#### Privatization of Lloyd Aereo Boliviano S.A.M.

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# **CBI SURVEY**

# Retailers report rise in January sales

BRITAIN'S shops reported an unexpected rise in sales volumes last month compared with a year ago, according to a survey of the distributive trades published today by the Confederation of British Indus-

Although the report provides some evidence of greater confi-dence by consumers, the impact of the sales increase may be diluted by the sharp price cuts many retailers have introduced to combat the reces-

While confidence about sales volumes expressed by the whole of the distributive industry is considerably higher than a month ago, orders placed by distribution companies with suppliers remain fractionally down on last year, indicating that the sector remains

Even so, the study is likely to be setzed on by government ministers to support indications that the economy may pick up in the few months before the election.

Mr Norman Lamont, the

chancellor of the exchequer, is under pressure from cabinet colleagues to stimulate growth, possibly by a cut in interest rates ahead of the Budget on

Government figures due this week are thought likely to support the tone of the CHI study, and show that retail sales volumes showed a small increase last manth or Thesis here. last month on December's depressed levels. Other statistics are expected to indicate that the recession has so far lasted for six quarters - making it the longest since the sec-

mg if the longest since the sec-ond world war.

The CBI study covered 15,000 trade outlets in the distribu-tion industry — retailers, wholesalers and car dealers. Clothing and shoe shops — which marked down prices drastically in January in an effort to boost volumes at the expense of profits — saw a expense of profits — saw a "sharp turnround" in sales last

alcoholic drinks were well below 1991 levels, while retail-ers of electrical household goods saw modest increases. In January, 45 per cent of the 263 retailers in the survey said sales were up on a year ago, and 24 per cent reported a

That gave a balance of 21 per cent which saw an increase, compared with a balance of 6 per cent in December reported a drop in sales.

#### Toshiba opens new **UK** factory

By Andrew Baxter

TOSHIBA has opened the first Japanese owned factory for air conditioning units in the UK as part of plans to expand its presence in the relatively untapped European market.

A former Toshiba microwave plant in Plymouth, south west England, converted and extended at a cost of £10m, was opened on Friday. The plant is likely to inter-

captured 60-80 per cent of the market over the past 20 years. Employment at the Personal Residence of the front the current 135 to 220. When full production is reached early next year. The plant will then be capable of producing 25,000 units a year of various speak worth around

of various sizes, worth aroung £30m £40m. About half of pro-duction will be exported.

# BR to end policy of seniority promotion

By David Goodhart, Labour Editor

BRITISH Rail will from next month promote station staff on merit rather than length of ser-

seniority alone was considered a major step forward by rail unions when they forced the private railway companies to concede the principle at the beginning of the century. "In those days there was a lot of nepotism and favouri-

tism on the railways with managers picking their 'blue-eyed boys' regardless of merit," says Mr Lawrie Harries of the trans-port union RMT.

The union says it is no lon-ger opposed to the principle of suitability as opposed to seniority in selecting job candi-dates and has already conceded the point for most other rail

But some reservations remain about giving manage-ment complete discretion. The intreduction of an unpopular mystem of promotion assess-ment was one of the causes of the 1989 London Underground strike led by the transport

Also, the union argues that e of the non-trans ity of many rail skills, such as train driving, long serving staff should; be compensated for their limited options outside the rail industry by preference for promotion within it. The union favoured compro-mise, which already applies to

BRITAIN IN

train drivers and will probably now apply to station staff, is that seniority should deterfor promotion even if suitabil-ity will remain the final test of

or not.

The abandonment of seniority as the sole determinant of promotion for station stall is being introduced as part of a restructuring of the four non-passement grades, from management grades, from ticket collector to station supervisor, which has finally been agreed after 10 years of negotiation.

Similar shake-ups are being introduced for other groups of rail workers, most of them driven by a desire to reduce what British Rail describes as "embarrassing" overtime levels
nearly one-quarter of all
hours worked.

Almost 90 per cent of signals staff have agreed a package which makes Saturday and Sunday a normal working day, despite opposition from RMT.

Agreements have also been reached with cleaners and

track supervisors. However senior conductor have narrowly rejected a package which includes performance related pay and train drivers are also objecting to proposals for more flexible working and performance pay dentite a 28 per cent increase. despite a 28 per cent increase in basic pay and a move to salary status.

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#### Clothing sales decline

Most clothing retailers are currently making little or no profit in the cut throat UK market, which has registered its third consecutive year of sales decline in real terms, according to rewreport by Verdict, the retail consultancy.

Total sales rose by 0.7 per cent in 1991 to 217 50m but fell

lendemand has been at by rising costs, at alsounting and

#### Pay settlements are below 5%

Japanese banks lead in London

community in London, according to an annual survey of for eign bank offices in the City. Noel Alexander Associates reports that at the end of 1991 there were 49 US banks in Lon-don compared to 54 Japanese

The number of American banks in London has been declining steadily since 1982. In that year, there were 77 American banks in the city.

Their decision to pull out of London seems to have been prompted mainly by the prob-lems of the banking sector in the US rather than by a decline

#### Research income climbs

#### Small business confidence falls

companies are optimistic about communical prospects than three months ago; according to a survey by 31, the investment

group.
The study supports indica-tions that business confidence has fallen recently, although it says the ingredients for a recovery are in place.

According to the survey of 1,000 companies in which at

#### Royal Mail wins approval

eter Senge looks and sounds rather like a younger, slim-

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ness with a list of blue chip clients,

disparages charisma in the business

knows do not stand out in a crowd, he

says: they are often mediocre public speakers who fail to mesmerise audi-

ences with either brilliance or elo-

quence, Instead, what distinguishes them is

the clarity and persuasiveness of their

ideas, the depth of their commitment to their companies, and - above all

- their openness to continually learn-

ing more, both individually and in partnership with everyone around

and below them.
Senge (pronounced Sengee) is one

of a growing cohort of evangelists for the concept of "The Learning Organi-sation". Though its intellectual roots

are heavily European, and reach back into the 1940s, it shows every sign of

becoming the next American-spawned management fashion after "total qual-

ity", time-based competition, and "change management".
The notion is potentially extremely

powerful, although its ambitious nature increases the chance that, like most management fads, companies

will rush to adopt it in a half-baked

It rests on the argument that, in an

age when quality, technology and variety are all becoming widely avail-able at relatively low cost, the only

sustainable competitive advantage that a company can create may be the

ability to learn faster than its rivals and to anticipate changes in the busi-

ness environment.

The concept has various degrees of depth and breadth, simplicity and

complexity, according to which pun-dit one follows.

dit one follows.

In essence, a "learning organisation" is considered to be one which:

encourages continuous learning and

knowledge generation at all levels;

has processes which can move knowledge around the organisation easily to where it is needed; and can trans-

late that knowledge quickly into changes in the way the organisation acts, both internally and externally.

As Senge puts it, such an organisa-tion is one "that is continually

expanding its capacity to create its

future". Hence his view, in common with many other academics and con-

sultants, that good 1990s leadership has less to do with the 1980s muscular

virtues of intuitive charisma and

visionary strategy than with the qui-

eter ones of what he calls "organisa-tional design, stewardship and teach-

To Senge, model "learning organisa-

tions" include Hanover Insurance, a

Most of the outstanding leaders he

ers around.

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FINANCIAL TIMES MONDAY FEBRUARY 17 1992

#### MANAGEMENT

# Bending minds to a new learning circle

Christopher Lorenz unravels the latest business fashion



Peter Senge: one of a growing cohort of evangelists for the concept of "The Learning Organisation"

Miller, the mid-west furniture maker, and Analog Devices, a Massachusetts microchip manufacturer. In many respects, he also admires the way Shell, the European oil giant, man-

ages its learning process. sges its learning process.

Senge's prescription of what it takes to build and sustain such a paragon is contained in a book called "The Fifth Discipline - The Art and Practice of The Learning Organisation". It was one of 1991's best-selling present books in the US and heat instructions. business books in the US and has just been published in Europe\*.

To Senge, five interrelated disciplines need to be fostered among indi-viduals and groups in an organisation if it is to reach the heights of Hanover Insurance and the others:

Though he deals with this first in the book, and in by far the greatest depth - he is, after all, a professor of systems thinking - he actually calls this the "fifth discipline".

SYSTEMS THINKING

As Senge says, individuals and organisations in all walks of life tend

to focus only on one or two obvious parts of a problem, rather than on its entire "system". Hence their tendency to choose simple explanations and 'solutions".

Systems thinking, on the other hand, draws from a century of theory and practice to provide a set of tech-niques which help people to "see the whole": to perceive the inter-relation-ships or "structures" that underlie complex situations.

Systems thinking also detects pat-terns of change over time, so that people can cease taking what Senge calls "snapshots", and come to see that cause and effect are seldom close in time. Systems thinking also helps people realise that the most obvious solutions usually fail to work; a perfect example is Britain's 1970s rent control legislation, which simply dried up the supply of private rented

Senge illustrates the effect of systems thinking – and the lack of it very effectively through several examples, from the arms race and

environmental pollution to a business simulation game played at MIT.
This demonstrates the disastrous

effects that can be experienced by the various links in a brewing production, distribution and retailing chain (or "system") when each link makes entirely independent decisions on lev-els of ordering and supply, without any knowledge or understanding of what decisions are being taken by other links. Optimising sub-systems in this way works only when demand is stable. When it rises or falls, the knock-on effect on the entire system

is panic, crisis and chaos.

One of the other keys to systems thinking, Senge suggests, is the ability to recognise structures that occurrepeatedly. He provides nine detailed examples of "systems archetypes", or "generic structures", that occur time and again in private and organisa-

PERSONAL MASTERY. A ghastly term, this translates as "personal growth and learning". \$25

Among other points under this heading, Senge stresses the importance of intuition to systems thinking; denies that change only occurs in the face of crisis; and warns of the dangers of "empowering" people before they have learned at least some of the other disciplines.

MENTAL MODELS These are deeply engrained, often sub-

conscious, assumptions which affect what we think about people, situa-tions and organisations, often creating contradictions between what we

Senge suggests that a General Motors' belief that cars are basically about styling, rather than performance, has impeded any real cultural and strategic change at the car giant. And he makes much of Shell's use of scenario planning since the 1970s to challenge its managers' comfortable assumptions about how the company

and the oil world worked.

With the help of one of Senge's mentors, the widely influential Chris Argyris of Harvard, Hanover Insurhas used the concept of mental models as a key part of its process of organisational learning.

SHARED VISION. This must not, as it is so often be imposed, since it will at best com-

mand compliance - not commitment. That will actually discourage people in the organisation from learning— as may charismatic leadership by a very strong individual.

TRAM LEARNING Some theorists argue that learning can be done only by individuals, not by teams - nor organisations, for that matter. Senge dissents.

Borrowing from Argyris, he out-lines various "defensive routines" which impede learning within teams, and can "reduce to 63 the collective IQ of a team of managers with indi-vidual IQs above 120".

All five disciplines are obviously powerful in themselves, let alone in combination. But Senge's claim that they are all integrated by the lifth, systems thinking, is arguable. Surprisingly for a professor of this subject, his book does not actually contain a model of how an organisation learns; instead, it is full of belpful systems thinking models.
Senge also draws inadequately on

the wealth of past European research into systems thinking and learning organisations: his is a very American approach, yet it also omits at least one of the keys to Argyris' work: a much-quoted concept known as "dou-

ble loop learning".

All the same, Senge has accomplished the praiseworthy task of popularising both systems thinking and "the learning organisation" for the wider business public. Characteristi-cally, he does so on the page, almost as much as in person, in charismatic

\*Century Business £20/Doubleday

# How to make your mark in Germany

cross-border deal loomed; the Americans were flying in. But Volkert Klauke, head of corporate finance at the Price Waterhouse accountancy firm in Germany, was worrled about letting his American colleagues loose in Frankfurt without an elementary briefing on the differences between Anglo-American and Germanic

corporate culture.

Klauke, who joined PW last year after 10 years with Deutsche Bank in New York, met the American team at the airport. Before they were allowed to meet the client - or leave the airport - he gave them a lecture on how to succeed with German businessmen.

and don'ts:

and don'ts:

The adage that time "The importance of the time time equals money people is expressed is taken more in terms of their seriously in in terms of their desired with colleagues ontside work is elsewhere: time timited availability" is valuable and is rationed out

extremely carefully. The more important the businessman, the more difficult it will be to gain access to his time. As Klauke puts it: "The importance of people is expressed in terms of their limited availability". Diaries are plotted out months in advance. In some big German companies, board directors do not see each other without making an appointment first.
It follows that being late for

a meeting is more than an impropriety: it is an insult. And it means that off-the-cuff meetings are out of the ques-tion: you cannot ring up and say: "Hi, I'm in town. How about a chat?" Klauke says it is far better to write with a request weeks, if not months, in advance. Do not try to change a schedule at short

Germans observe a strictly linear approach to problem solving, says Klauke. They will seize upon one problem and work on it step by step until it is solved, rather than tinkering with a dozen prob-lems at once and advancing them all at the same time. "Never give a German a whole lot of problems to solve at once," says Klauke.

German businessmen are

highly sensitive to infringement of their personal space. "Space is at a premium here because there isn't much of it," observes Klauke. Open plan offices are rare and German executives fence themselves in from each other behind solid, shut doors. Do not burst into an office, and once in there "don't grab a chair and sit down wherever you feel like. Don't slouch all over a chair and don't try and

rearrange the furniture," Klauke cautions.

Personal relationships are the basis on which business is done in Germany, but they are exceedingly difficult to forge. Klauke says that it would be unlikely that an employee of a Here are Klauke's observa-tions and some practical do's invited to a colleague's home and don'ts:

German company would be invited to a colleague's home until he or she

ontside work is to play sport. If

become involved in the arts world. In this way you build the relationships and the trust which will, over the long-term,

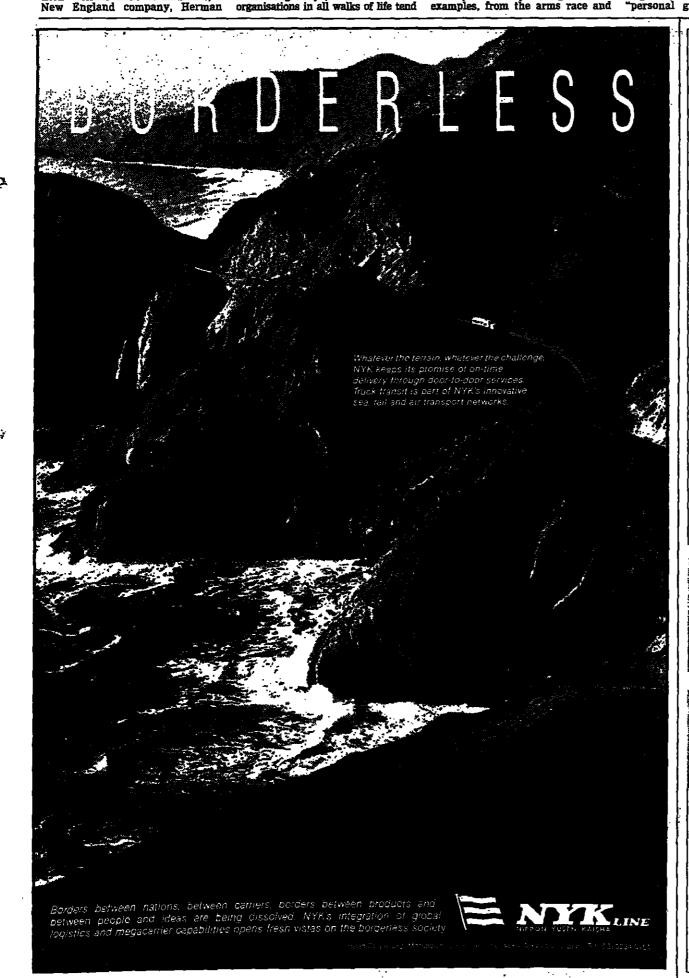
This is one cause of Ger-many's fabled long-termism: businessmen have a view to a lifetime working with each other. This makes it difficult for non-Germans to be really successful in Germany, unless they are there for life, Klauke cites the story of his nearneighbour in a salubrious sub-urb of Frankfurt where many main board directors of Ger-

man companies live. The neighbour is the head of an American investment bank. "You drive past his house every day and after a while notice that he's often away during the week, and he's rarely there at weekends at all," Klauke says.
"You realise that he doesn't

like living in Germany very much. It's unlikely that he'll stay here for long. Germans think: why should we do busi-ness with him if he's not going to be around in five years or

"He won't be around to live with the consequences of his

David Waller



# KLM decided on Dubai.

# Here's

Everybody knows KLM, Royal Dutch Airlines, as The reliable airline'. But did you also know that they are Europe's oldest? That means they must have learned a thing or two about professionalism, efficiency and service. That's why they chose Dubai as the hub of their operations for the Middle East.

KLM have been flying in and out of Dubai for nearly two decades. They've been satisfied and impressed with the level of service they've received for their aircraft and for their passengers. And, of course, over the years, both KLM and Dubai International Airport have always striven to pass these benefits on to their customers. In fact, KLM were so impressed by Dubai and its advantages that they named a new 747-400 'The City of Dubai'. You can't say fairer than that.



Leisure facilities in Dubai are plentiful and the climate is ideal for water sports of every kind.

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personal, corporate or capital. No

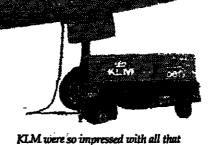
uncertainty, because Dubai's political

stability and pro-business government

policies ensure a highly favourable

towering symbol of Dubai's commitment

So, instead of wondering where to locate your business, take advice from KLM and decide ... decide on Dubai.



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new 747-400 after her.

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scheme HUNT THOMPSON ASSOCIATES (HTA) has been appointed as community architects by the Waltham Forest Housing Action Trust for the redevelopment of three 1960s bigh rise estates. The three estates are Cathall Road, Ley-

tonstone, Oliver Close, Leyton, and Chingford Hall, Chingford Under the proposals most of the 2,100 high rise flats will be demolished in phases and their occupants will work with the architects on the design of the new two or three-storey homes which will be built to house them. The appointment of HTA covers the preparation of a masterplan for the redevelopment of each of the estates.

#### Scottish hospital

CEMENTATION PILING & FOUNDATIONS has won an extension to its £618,000 contract for the Health Care International private hospital on Clydebank, Scotland. The initial 19-week programme for driving the 1.500 piles involved was awarded in August but has been extended to enable the driving of 400 precast piles

# **Bristol foul water** distribution plan

BALFOUR BEATTY CIVIL ENGINEERING has been awarded road, water and energy contracts totalling over

Phase II of the Bristol northern foul water interception contract, valued at £8m, has been let by the City of Bristol, agency for Wessex Water. The work is to be carried out

under a 130-week target cost contract and comprises 3.1 kilometres of tunnels to carry the combined flows from the east and central areas of the City of Bristol to the main trunk

sewer in the Avon Gorge. Three different sizes of tunnel will be constructed through the sandstones and mudstones underlying Bristol, using roadheader type excavation

#### Birmingham business park

Birmingham business park fea-tures in over £10m worth of new work won by TARMAC CONSTRUCTION. The 26.7m lopment will provide office units in four separate build-

Since 1989 the company has been awarded eight contracts for the construction of infrastructure and buildings at the park by the developer Arlington Property Developments.

Tarmac Structural Repairs has won two contracts worth more than £500,000 each. Repairs are to be carried out to all columns and cross beams including cathodic protection to a bridge taking the A4041

nel shields.

"One pass" smooth hore pre cast concrete segments 3.35 metres, 2.44 metres and 1.83 metres in diameter will be used to line the tunnels. Sixteen shafts varying in size from 3.66 metres to 7.62 metres in diameter and at depths up to 28 metres deep are also required. Work is also about to com-

mence on the Avon Ring Road Stage IB (II) contract for the County of Avon. The £3.04m scheme is due to be completed by spring 1993. The contract comprises the

construction of two kilometres of 7.3 metre wide dual carriageway, commencing at the junction of Westerleigh Road with Avon Ring Road Stage 1B(II).

well for the Borough Council (£518,000). A swimming pool at a leisure park is to be refurbished and repaired for Gillingham Borough Council in Kent (£509,000).

Other contracts include the construction of gabion walls for a quarry at Kendal in the Lake District for Tarmac Econowaste (£400,000); and a car park and access roads for the Queens Park Hospital at Black-The contract housing divi-

sion has won a £1.2m order for repairs to homes for Blairtummock Housing Association in Strathclyde and a £670,000 contract for the removal of balconies on housing blocks for Cly-debank District Council.

# Residential conference facility

**CONSTRUCTION CONTRACTS** 



A.F. BUDGE (BUILDING) has and externally. been awarded a contract in Leeds for the refurbishment and conversion (pictured) of the Grade II listed Weetwood Hall, Otley Road, Leeds into a residential conference centre. Set in nine acres of mature parkland, this development is due for completion in spring 1993, and will be finished to high standards both internally

Contracts worth £7.9m have

been won by MOWLEM NORTHERN, a division of John

The Bentley office is work-

ing on two civil engineering contracts at Queen Elizabeth

The larger project, worth 22.2m, comes from Hull Bulk

Handling, a division of Fern-wood Holdings, involves con-struction of bulk handling

facilities, including a one kilo

metre raised conveyor on tres-tie legs and pile foundations,

connecting the dock to a stock-

Mowlem Construction.

Dock in Hull.

The centre will provide residential accommodation, conference and lecture rooms, banqueting suites and catering facilities for up to 150 guests. Having originally acquired the Hall in 1919 for student accommodation, the University

tage of the growing demand for

25.3m, Budge will construct a three-storey stone faced extension with pitched roof and hardwood windows. The Hall, parts of which date back to 1625, will also be extensively refurbished. This includes restoration of the of Leeds is now taking advanexternal stonework, listed dec-orative ceilings and wood pan-

Improving bulk handling capacity at Hull

pile area.
The second contract, at Queen Elizabeth Dock, is an extension to the quayside road to enable development to the east. The £830,000 contract is being undertaken for Associted British Ports.

Following the completion of a £3.5m design and build con-tract for a European Research Centre at Ruddington Fields, Nottingham, for Ranson, Hoffman and Pollard, Mowlem Northern's east Midlands divi-sion, based at Nottingham, has begun work on another design

and build contract at this business park.

A two-storey office building, providing 30,000 sq ft at the entrance to the park, will form the new headquarters of a major government department. The Nottingham office has

In a contract, worth about

elderly sheltered housing unit at Swiney Way, Toton.
The Leeds office is engaged on a £1.2m sheltered housing scheme in Meanwood for the Anchor Housing Association.

also won a £1.2m contract from

the Derwent Housing Associa-

tion to build a 38 bed frail and

# Hong Kong Airport development project

Hong Kong's Provisional the foundation for the new airawarded INGERSOLL RAND an order for six large DM-M2 drilling rigs with a list value of around US\$5m (£2.8m) to be used in the site formation contract for the Chek Lap Kok Air-

The drills will produce holes for blasting rock from Chep Lap Kok itself to form most of

#### J. Sainsbury superstore

WIMPEY SOUTHERN has WOD contracts together worth a total of more than £16m from three of the UK's major food suppliers - J Sainsbury, Nurdin & Peacock and British Bak-

The largest is J Sainsbury's flagship superstore at West Hove Sussex With a sales area of 40,000 sq ft and parking for 650 cars, the supermarket will be landscaped to enable it to blend into its green valley surroundings. Elaborate brickwork detailing, clay tiled roofs

The third contract is for the demolition of various buildings and construction of a steel-framed dispatch and ingredients store for British Bakerles in Britis Hong

of rock and weathered deriva-

tives will be required, nearly

one and a half times the UK's

annual crushed rock produc-

for the site information project

will aid bidding for the 30-

and glazed walkways will com-

plement the design of the

Nurdin and Peacock is Wim-

pey Southern's client on the

second of its three awards - a

£3m contract to construct a

distrubution warehouse cover-

ing 8,900 sq metres in Brighton.

month contract.

The purchase of equipment

#### £15m retail developments

ALFRED MCALPINE BUILDING, the specialist management contracting and design-and-build company within the Alfred McAlpine Group, has won over £15m worth of contracts in the retail sector in the UK.

Three of the contracts are for Marks & Spencer and total over £7m in value. Work has started on the extension and refurbishment of a store at Lancaster, while at Working-

ton a shell is to be fitted out to provide new retail space. The third project for Marks & Spencer involves fitting out a retail building at Northwich. Alfred McAlpine Building is

also undertaking a manage-ment contract for fitting out a developer's shell at the new Buttermarket Centre, Ipswich, for Owen Owen. The contract comprises 10,700 sq metres of retail space, offices, storage and access facilities.

# **CONFERENCES & EXHIBITIONS**

RIGHTS

**Business Warfare** considers marketing planning in the context of a military strategy. The four alternatives - defence, attack, flank and guerilla - are outlined and evaluated. Speaker: Tom Day, Connect: Knight Frost & Sullivan Ltd. Tel; 071-730 3438. Fax: 071-730 3343.

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**FEBRUARY 25** CZECHOSLOVAKIA CONFERENCE

**FEBRUARY 24-25** 

Covering especially privatisation and nent in engineering, electrical and nics industries and developments in banking system. London Cha Contact LCCI East Europe Section 071 248 4444 x 2063

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er course in a monthly serie looking at sources of commercial, company, statistical and market information by geographic area for researchers and information professionals. Venue Barbican Centre, London, Consect Jenny Perry, TFPL on 071-251-5522, fax 071-490-4984.

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The 1992 meeting will examine how international banking industry is responding to the challenges of economic properties. Econities: Financial Tim Tel: 071-925 2323

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**FEBRUARY 26** SUCCESSFUL STRATEGIES FOR future. This seminar covers: setting goals and identifying obstacles, taking stock of our business and its marketpl developing a vision for success,

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Fax:071 236 6140

Systems develop a profile of their company's on plan to meet these requirements. Speaker: Wayne C Burkan. Contact: Louise Knight, Prost & Sallivan Ltd. Tel: 071-730 3438.

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Fax: 071-730 3343.

litigation (RSI) and forthcoming ion (VDU Directive), Pre: Colin Mackay - HSE, Brian Pearce -Consultant Ergor ust, Tom Stewart -Chairman ISO TC159 SC4. Tel: 0602 436323 Fax: 0602 436440 LONDON

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Tehran. To be held at Cumberland Lodge

The Great Park, Windsor. Enquiries RIIA Conferences. Tel: 071 957 5700; Fax: 071

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#### \* Purcell Room recitals

RUARY ITE

Not before time the South Bank is endeavouring to lift the image of the Purcell Room After years of this venue providing a bald platform space for recitalists to perform in front of invariably meagre audiences, it is getting a bit of a face-lift, with avant-garde works of art on the walls, new curtains on stage and a few potted plants for evening

If this is the Cinderella of the South Bank's three concert halls, one can hardly claim it is being dressed up for the ball. But then cosmetic trappings like these will never count for much. The hall has good acoustics, which matter far more. And audiences will only come if the programmes are seen to be more enticing than in the past. I attended a pair of events last Thursday and may have been lucky, for these proved to be two uncommonly enjoyable recitais

The first was at lunchtime. a Rossini birthday programme. As befits a mid-day audience, it was made up of popular items, including favourite excerpts from the lavourite excerpts from the comic operas and the Soirées musicules. But everything was put across in the right spirit, light-hearted without being winsome. The soprano Elleen Hulse, accompanied by Scott Mitchell, offered a few nicely-turned songs and Yvonne Howard announced herself as a Rossini comic heroine of noted promise, able to move her warm mezzo around with a real sparkle.

Then, in the evening, came the first in a new series of song recitals. By and large the artists who will be appearing are not established figures on the recital platform, but this opening evening with the soprano Janis Kelly has set a standard for the others to follow - not least in the style and judicious touch of 1920s glamour with which it

was presented.
The programme was an all-French one. It may be that the voice itself wanted some of the glamour of the singer's appearance, but if that means that she is prepared to work harder on the words to compensate, then it matters little. There was no doubt here that we had a recitalist who understood what she was singing and could speak the poems aloud quite eloquently if she wanted to. The fast patter of her Poulenc Cinq Poèmes de Max Jacob went with a deal of the zing which

important one, shared equally between the singer and her accompanist, Iain Burnside: they both understand that in the French repertoire the less one does, the more the music is likely to respond. A group of Fauré *mélodies* was successful because the songs were so simply handled, just clear words and swift speeds strictly no sentimentality allowed. Satie's word-play in Daphénéo" and his Mad-hatter in "Le Chapelier" were dead-pan humour at its

The other virtue was an

On the surface this looked to be a modest recital, a shortish programme by a singer not previously well-known in the field and schooled in a rigorous style of interpretation, a few too many physical gestures apart; and yet it delivered more than does many a lavishly-feted prima donna. At the end I could happily have sat through it all again.

Richard Fairman

#### ARCHITECTURE

# A chapel to remember

in England is a rare thing. I felt that I had seen one when I recently visited the new chapel at Fitzwilliam College, Cambridge designed by MacCormac, Jamieson Prichard - the practice of Richard MacCormac the cur-rent President of the Royal Institute of British Architects

Fitzwilliam College is situated to the north of Cambridge's city centre, where it occupies a flat site of some eight acres. The first range of residential and collegiate buildings were designed in the 1960's by Sir Denys Lasdun. The budget was extremely restricted by the modest resources of the University Grants Committee. As a result the long ranges of brick mittee. As a result the long ranges of brick and concrete buildings are functional but

uninspiring.

The plan of the college, devised by Lasdum, was an intelligent one with a spiral arrangement of college buildings around arrangement of codege briddings around the centrally placed hall and public rooms. The hall itself does provide a moment of architectural excitement with its explosion of parabolic curved roofs scaring from a fort-like brick base. More recently a new residential range was added to an intrigu-ing design by Richard MacCormac. This is now looking very well as the planting grows around the window bays from a

series of brick terraces.

The chapel is the latest addition to the college and is the result of a generous private benefaction. It seems to me to be one of MacCormac's best and most complex buildings. He had a difficult task to join a modest chapel on to a Lasdom range. What he has achieved is a small creation resonant with architectural ideas. The plan is a circle joined by a bridging element to the flat end of an existing block. The circle defines the whole building, immediately giving it a strong but discreet character on the college campus. The chapel itself is on the first plant and is reached by two conving floor and is reached by two curving staircases that gradually emerge into the clear light of the main chapel space. This is defined by four structural columns supporting a flat roof which surmounts a shows incomplete forms leading into one clerestory of windows giving top light. In

section, the chapel lies like a boat moored between the staircases, apparently suspended in space. The impression of a The flavour of MacCormac's chapel is, between the staircases, apparently suspended in space. The impression of a boat is reinforced by the swelling timber underside of the chapel which you pass as you climb the stairs; you almost feel as though you are clambering into the safety of a stundy rowing boat as you reach the timber floor of the main chapel, a sensation which is enhanced by the strict railings surrounding the edge chapel The railings surrounding the edge chapel. The altar stands towards one edge of the circle. Behind the altar is a flat wall of glass giving on to a beautiful view of lawn and

I heard the architect talk in Oxford about his chapel and the symbolism of its about his chapel and the symbolism of its design. We are, when we approach the chapel, moving on a journey through life that takes us into the safe haven of an ark which may transport us into the after life. The boat-like form of the small chapel inside the thick walls is a protected place where we can deal with grief and death and look out into the only eternity we can see — the perpetual miracle of the renewall of nature. This is an intuitive renewal of nature. This is an intuitive building, its mystical sensations made manifest by the care exercised by the architect - and the craftsmen, who built the chapel and made the joinery to such a high standard.

high standard.

For once, here is a building that prompts a whole series of architectural associations and influences. The circular form with cubic shapes inside it has a long tradition. In 1553, Vignola built a cube with an oval drum at the church of S. Andrea in the Via Flaminia, Rome. He was to develop this oval design at S. Anna dei Palafrenieri in the Vatican later in the late 1560's. Here the church itself is oval in plan, but set inside a rectangle.
Michaelangelo's Capella Sforza in S. Maria
Maggiore in Rome (built to
Michaelangelo's design but probably
completed by Giacomo della Porta in the late 16th century) is a real precedent for the Fitzwilliam chapel. In plan the apsed transepts are formed of curves which are less than a semicircle. The whole design shows incomplete forms leading into one

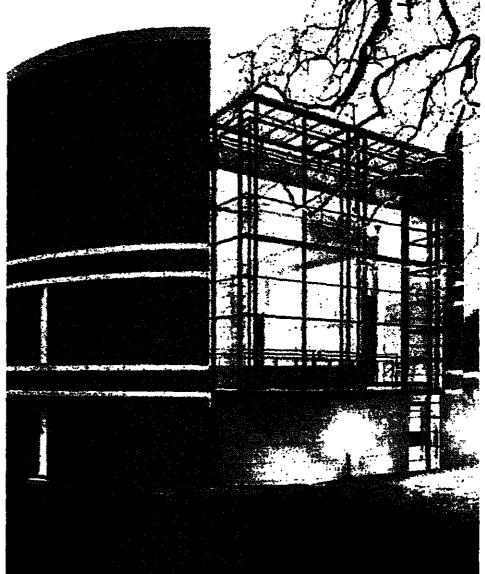
however, far from the Baroque. There is more than a reminiscence of the work of Sir John Soane. This is seen in the way MacCormac cleverly allows light into the building, through the interstices of the various elements. Soane, too, was intrigued by the idea of "things inside other things". The great glass wall that allows nature almost to surround the altar comes from the famous students' chapel at comes from the famous students' chapel at Otaniemi near Helsinki, in Finland, designed in the 1950's by Kaija and Heikki Siren. There a glass east wall brings the rather melancholy world of Finnish pine forests into the chapel. A large wooden cross stands in the wood beyond, like something from a wintry painting by Caspar David Friedrich.

Two other elements of the chapel are redolent of recent architectural history

redolent of recent architectural history. The whole sense of fine timber and skilled carpentry brings into the mind the world of Frank Lloyd Wright's early houses and, perhaps more particularly, the Californian timber houses in Pasadena by the brothers Greene and Greene. The other element, the curved form of the brick walls, seems in more to be the brick walls, seems in the property of the property o inspired by the work of Louis Kahn at his Salk Institute at La Jolla, California and his Government buildings in Dacca, Bangladesh Mario Botta, too, has recently perfected the form of the circular brick

perfected the form of the circular brick tower – especially in his remarkable office "castle" in Lugano.

This small Cambridge college chapel is an important and enjoyable new building. Labels have been attached to MacCormac. he has been called a Romantic pragmatist. I suspect that all that really means is that he has taken advantage of the freedom of form and structure made possible by modernism – and added to it an imaginative sensitivity inspired by the more romantic strands of recent architectural history. Couple this understanding with a very strong sense of the value of materials, and you have a combination of geometry and feeling that is both remarkable and rewarding. Colin Amery



The latest addition to Fitzwilliam College is the result of a generous benefaction.

# Die Eroberung von Mexiko

Hamburg

from the Hamburg Staatsoper is his fifth work for the opera house, though he has shrunk from calling them "operas" and settled instead for the more neutral, capacions description of "music theatre". But Die Eroberung von Mexiko ("The Conquest of Mexico") makes a thrilling piece of music drama on the grandest imaginable operatic scale, with its requirement for orchestral ensembles to be dispersed around the auditorium, pre-recorded tapes, a huge chorus, and singers and speakers in the pit who "shadow" the voices of the onstage protagonists.

It also deals in big and intrinsically dramatic cultural ideas, chronicling the arrival in pre-Christian Mexico of Cortez and his conquistadores and their bloody subjugation of the native people and their beliefs. The confrontation between Cortez and the Mexican godking Montezuma is at its core, and that clash of larger-thanlife personalities was the starting point for Rihm's libretto, which he has based upon Antonin Artaud's 1934 outline scenario of the same name. Other textual references are drawn into the dramatic net too - the poetry of Octa-vio Paz, for instance - but in many ways the treatment of Die Eroberung is far more direct than in Rihm's previous large-scale dramatic pieces: there is none of the bundling of myths and philosophical com-mentaries to be found in his

Hamlet maschine and Oedipus

Wolfgang Rihm's commission from the 1980s which, together with Rihm's Artaud ballet Tutuguri from 1982, are the new work's likeliest precur-

> What is carried over from these works is the economy of dramatic means; there is no clutter of superfitnous characters to supply local colour, no weighing down narrative to impede the action. The text focuses upon Montezuma and Cortez, the clash of masculine and feminine, animus and anima; to underline that the Mexican king is sung by a soprano onstage (the wonder-fully eloquent and assured Renate Behle) and doubled by high soprano and contraito in the pit. The Spaniard is por-trayed by a baritone (the lighttoned, sympathetic Richard Salter) and reinforced by two narrators offstage. The part of Malinche, the go-between for the Spanish, is taken by a mime and danced with auto

ta-like compulsiveness by Mir-iam Goldschmidt. Though the synopsis identifies four distinct parts - Pro-logue, Confession, Overthrow, Abdication - the action moves Abdration - the action mives seamlessly, wonderfully paced. The opening section presents a potent image of a "waiting Mexico" dominated by magic and intuition. The music and action grows steadily out of nothingness. Percussion figures are tossed around the auditorium, muttering choruses begin to well up are heard, and identifiable vocal lines begin to define themselves. Elsewhere there is an

astonishing range of vocal and instrumental effects, always precisely focused - massive choral outpourings (recalling the power and weight of Rihm's Dies, heard in London last year), sensuous melodic lines wrapped around the entwined voices fierce declan-atory explosions, threatening rhythmic chanting, snatches of

consoling tonality.
Without a complete score or libretto it was impossible to determine how much of the detailed dramaturgy of the Hamburg staging that counter-points the musical scheme is part of Rihm's prescription, and how much the work of the director/designer Peter Muss bach. After the horrors of Mussbach's Idomeneo in Amsterdam last year it is reas-suring to encounter a production as visually stunning and dramatically cogent as this. With bold, simple geometric designs and the use of primary colours, he never obscures the action, and finds images that complement precisely Rihm's aural imagination.

antal magnation.

Die Eroberung von Mexiko
ends with the sight of a huge
black cube, treetering obliquely
downstage; inside it are Cortez
and Malinche, trapped in irresolvable conflict, while the music fades out on a luscious, unaccompanied duet for Monna and Cortez that seems on first hearing as haunting as anything in contemporary opera. It is an important new

**Andrew Clements** 

## Leo in Love

NUFFIELD THEATRE, SOUTHAMPTON

If Leo in Love serves one useful purpose, it is as a reminder that boulevard comedy is not simply the preserve of the com-mercial theatres of London and New York. The French, who after all invented the term, are responsible for this fatuous excursion into the emotional byways for middle age.

Jean Sarment's play, adapted and translated, is the arche-typal star vehicle — a little creaky in the joints and warped in the wheels, but offers a more or less roadwor-thy ride to an actor of a certain age. Produced originally as Léopold Le Bien aimé in Paris in 1927, it was taken up the the French actor Georges Wilson, for whom it has become some thing of a speciality, and arrives in Southampton under

the wing of Martin Jarvis. The plotline is contrived to within an inch of its life. The eponymous Leo, woman hating bachelor, has a chance meeting on a riverbank with the "dead letter supervisor" for the Paris post office - a civil servant responsible for disposing of undelivered mail, who tells him of two misrouted letters from women which he opened years earlier. One told her suitor to get lost, while the other - to a man called Leopold - specified the time and venue for a romantic tryst, which, *hélas*, must never have

been kept. Realising the letter to have been addressed to him. Leo is immediately transformed from curmudgeonly fisherman to ardent roue, who fixes all the village romances while invit-ing his one-time sweetheart and authoress of the letter to stay, in the hope of rekindling their amour. Marie-Thérèse. -

#### Romeo and Juliet ROYAL EXCHANGE, MANCHESTER rather amusingly played by

One of the delights of the

Sarah Badel - is now a hefty widow with no inkling of Leo's Royal Exchange Theatre in Manchester is that - as its name suggests - it is the blighted love nor any recollec tion of the aborted assignation. In the interests of those who home of the old stock exchange. The theatre in the plan to see the show during its round is on the trading floor. It forthcoming tour of the southern counties, I will give is ringed by galleries and some of the old prices can still be seen chalked on boards. no more away except to say that director Patrick Sandford has driven a Rolls-Royce of a

This seemed a natural place for Romeo and Juliet, evoking images of Romeo shinning up cast down a pretty pality avenue. The capering joviality of Jarvis is nicely offset by a and and down. The Manchester theatre, however, is full of surprises, and the central surprise of Gregory Hersov's modern dress production is that there is no balcony scene as such. set, by Robin Don, is a delight. Instead there is a bed scene: a large double bed where the adolescent lovers come of age is placed firmly in the centre of the stock exchange floor. Afterwards Romeo departs with a

climbing rope, but we never see it being used. There are other novelties. This is the first time that I have seen the early love-sick Romeo enter drinking from a bottle of Jack Daniels, Played by Michael Sheen, he also smokes heavily and wears a ring in his left ear. Alcohol is prominent throughout. The nurse (Gillian Hanna) gets drunk at the banquet. The icy Lady Capulet (Amelia Bullmore) seldom appears without a glass in hand, possibly as a sedative to protect her from her husband, splendidly played as a north country businessman by John Branwell. In the background there is a touch of John Braine's novel, Room at the Too.

Poetry is not the production's strong point. Mercutio's Queen Mab speech, spoken by Jud Meyers, comes out as rap, with the music going in the background. There are no pauses to let the beauty of the lines take over. And whatever else may be said of Kate Byers's Juliet, she is not at her best when speaking verse. Some of the best-known lines like "Gallop apace, your fiery-footed steeds" come out as if they were simply par for the

course.
Nevertheless, the entire show is an extraordinarily vibrant spectacle which, one is tempted to say, owes some-thing to West Side Story. The remarkable fact is that, apart from the poetry, it gets everything right. This Juliet is, as she should be, more mature than Romeo, and clearly a handful for her parents. Romeo matures later and the piece is full of adolescent energy and changes of mood. The fights, seemingly springing up from nowhere, are convincing

The production owes a lot to the set, designed by David Short, and the lighting by Michael Calf. At first it looks as if the play will be done almost without scenery and props - in line with the modern dress. The main device is the light: Calf manages to cap-ture the shimmering Italianate heat rising up from the floor. Yet the initial absence of props is deceptive. It draws attention to the importance of the bed when it appears centre-stage. And by the death scene at the end, the stage is almost crowded with tombs.

The performance runs in Manchester until March 28 and then tours a number of leisure centres around the country. It is worth catching anywhere.

Malcolm Rutherford

# INTERNATIONAL TODAY'S EVENTS

#### **■** AMSTERDAM

Concertgebouw 20.15 Katia and Marielle Labeque play music for two pianos. Tomorrow: Ton Koopman directs the Amsterdam Baroque Orchestra, plus a recital by Jard van Nes. Wed: Raoul Dufy Quartet. Thurs and Fri: André Previn conducts the Royal Concertgebouw Orchestra, Sat afternoon: Frans Brüggen conducts the Rotterdam Philharmonic. Sat evening: Elly Ameling. Sun: Royal Flanders Philharmonic Orchestra (6718 345) Muziektheater 20.15 Dutch National

Ballet in three Balanchine choreographies, also Wed, Thurs, Sat and Sun. Tomorrow: Die Frau ohne Schatten (6255 455/credit card bookings 6211 211)

#### **■ BOLOGNA**

Teatro Communale 21.00 Trevor Pinnock directs the English Concert in music by Handel, Bach, Telemann, Vivaldi and Corelli. Tomorrow, Thurs and Sun: Roberto Devereux (529999)

■ BARCELONA

Palau de la Musica 21.00 Wolfgang

Sawallisch conducts the Orchestra of La Scala, Milan. Thurs: Alexander Lazarev conducts the Bolshoy Orchestra and Chorus 68 1000). Tomorrow and Thurs in Gran Teatre del Liceu: Roberto Gerhard's The Duenna. Wed: song recital by Simon Estes. Sat Jose van Dam (412 1466)

#### **BERLIN** MUSIC

Schauspielhaus 20,00 Neeme Järvi conducts the Berlin Philharmonic Orchestra in Stenhammar's Excelsior overture, Grieg's Piano Concerto (soloist Leif Ove Andanes) and Nielsen's Second Symphony. Wed: Uwe Gronostay conducts Verdi's Requiem. Thurs Fri, Sat: Giulini conducts the BPO (East Berlin 2090 2156) Deutsche Oper 20.00 Rafael Frühbeck de Burgos conducts Götz Friedrich's production of La bohème, with Eva Johansson and Antonio Ordonez. Tomorrow and Sat Aida. Wed: Tannhäuser. Thurs: ballets by Béjart and Balanchine. Fri: Die Zauberflöte. Sun: Das Rheingold (West Berlin 3410 249) THEATRE East Berlin: the Maxim Gorki

Theater has a new production of Arthur Millier's Death of a Salesman opening on Sun, directed by Siegfried Buhr, with Klaus Manchen as Willy Loman. The repertory also includes Heiner Müller's play Leben Gundlings tonight; T S Ellot's The Cocktail Party tomorrow, Carol Churchill's Top Girls on Thurs and Peter Shaffer's Amadeus on Fri (2082 748). The Deutsches Theater has ionesco's The Baid Prima Donna on Wed and Kleist's Das Käthchen von Helibronn on Thurs and Fri

(2871 225), with Schiller's tragedy Die Verschwörung des Flesko zu Genue on Thurs and Fri at the Kammerspiele (2871 226). West Berlin: the Schaubühne has Botho Strauss' Schlusschor directed by Luc Bondy, on Wed. Thurs and Fri (890023). The Theate am Kurfürstendamm has dally performances of a stage adaptation of Woody Allen's A Midsummer Night's Sex Comedy (8823 789), and the Theater des Westens has the musical Sweet Charity, daily except Mon (3190 3193).

■ GENEVA Victoria Hali 20.30 Armin Jordan conducts the Orchestre de la Suisse Romande in Schubert's Eighth Symphony, Strauss' Oboe Concerto (soloist Roland Perrenoud) and Mahler's Des Knaben Wunderhorn (soloist Anne Sofie von Otter). Repeated on Thurs in Lausanne (292511). Wed and Sat in Grand Theatre: Benvenuto Cellini (212311)

#### **■ THE HAGUE**

Dr Anton Philipszaai 20.15 Ton Koopman directs the Amsterdam Baroque Orchestra in an all-Haydn programme. Wed: Reinbert de Lecuw conducts the Schoenberg Ensemble in music by Scriabin. de Vries and others. Fri and Sat: Gunther Herbig conducts the Residentie Orchestra in Schubert's Eighth Symphony and Mahler's Fifth (380 9810)

#### **LONDON**

Covent Garden 19.30 Royal Ballet triple bill: Ashton's Scènes de ballet and Monotones, plus William Forsythe's In the middle, somewhat elevated with Sylvie Guillem and Tomorrow and Sat: Don Glovanni. Wed; Giselle (071-240 1066) South Bank Centre 19.45 Michael Collins and Mikhail Pletnev play music for clarinet and piano by Weber, Poulenc, Debussy and others. Tomorrow: Yan Pascal Tortelier conducts Gershwin and conducts the BBCSO in a Stravinsky programme. Thurs: Peter Katin plays Chopin. Fri and Sun: Tennstedt conducts Beethoven. Sat: Robert Cohen plays Elgar's Cello Concerto (071-928 8800)

Barbican 19.45 Sian Edwards conducts the English Chamber Orchestra in music by David Matthews, Bartok, Howard Skempton and Kurt Weill, with Emma Johnson soleist in Michael Berkeley's Clarinet Concerto, Wed: Hallé Orchestra. Fri: Moscow State Symphony Orchestra. Sun: LSO plays Shostakovich's Fifth (071-638

Royal Albert Hall 19.30 Eric Clapton and his band. Also tomorrow, Sat, Sun and next Mon, Wed, Thurs and Fri (071-823 9998)

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Teatro alla Scala 20.00 Michele Campanella plays piano music by Prokofiev. This is the only event at La Scala this week (7200 3744)

#### ■ NEW YORK

Metropolitan Opera Tonight at 20.00: first performance this season of Rigoletto, conducted by Nello Santi, with Ruth Ann Swenson, Richard Leech and Alain Fondary.

also Thurs. Tomorrow: Un ballo in maschera. Wed and Sat: II barbiere di Siviglia. Fri: Tannhauser (362 5000) Avery Fisher Hall Tomorrow's New York Philharmonic concert is conducted by Andrew Davis, and includes Sibelius' Fitth Symphony. Thurs, Fri and Sat: Kurt Masur conducts symphonies by Franck and Brahms (875 5030) New York State Theater This is the final week of the New York City Ballet season. There are daily performances from tomorrow till Sun, with matinees on Sat and Sun. The performance on Sun evening is a Dancers' Emergency Fund Benefit (870 5570)

Martin Jarvis as the

women hating bachelor

handful of cameos including a

stringy spinster from Angela Pleasence and a snifty priest

from Christopher Godwin. The

Claire Armitstead

46

#### ■ PARIS

Opéra Bastille 19.30 Myung-Whun Chung conducts André Engel's production of Lady Macbeth of Misensk, repeated on Thurs and Sat. Tomorrow and Wed in the Amphitheatre: Yukio Mishima in a Noh theatre production (4001

Châtelet Auditorium 21.00 Buster Williams Quintet opens a week of Jazz events. Tomorrow: Von and Chico Freeman Group, Wed: Henry Threadgill Ensemble. Thurs: Benny Golson and Curtis Fuller Group. Fri: James Moody Quartet, Sat: Teddy Edwards Group. Sun: Courtney Pine Septet, Fri, Sat, Sun in Châtelet main theatre: Frankfurt Bailet (4028 2840) Salle Gaveau 20.30 Richard Hickox

conducts the Ensemble Orchestral de Paris in Haydn's First Piano Concerto (soloist Patricia Pagny) and Mozart's Symphony No 39 (4953 0507) Théâtre de la VIIIe 20.30 Recital

by Chaurasia, Indian flautist.

Tomorrow till Sun: Bernard-Marie Koltes' play Roberto Zucco. Fri and Sat at 18.00; Janos Starker plays cello sonatas (4274 2277) Palais Garnier From tomorrow till Sat, the Stuttgart Ballet gives daily performances of John Neumeier's A Streetcar Named Desire (4017 3535) Théâtre des Champs-Elysées On Fri, Rockwell Blake sings arias

by Mozart and Rossini with the Sinfonietta of Picardy. Sat: Claudio Abbado conducts the first of five performances of Rossini's II Viaggo a Reims. Sun and next Mon: Carlos Kleiber conducts the Vienna Philharmonic (4720 3637) Salle Pleyel Lynn Harrel plays Havdn's D major Cello Concerto in this week's Orchestre de Paris concerts on Wed and Thurs, conducted by Neeme Järvi. On Sat, Alexander Gibson conducts the Orchestre National d'Ile de France in Grieg's Piano Concerto (soloist Philippe Cassard) and Sibelius' Fifth Symphony (4563

#### **■ UTRECHT**

Vredenburg 20.15 André Previn conducts the Royal Concertgebouw Orchestra in Brahms' Violin Concerto (soloist Viktoria Mullova) and Elgar's Second Symphony. Wed: song recital by Jard van Nes. Sun: Lazar Berman piano recital (314544)

**■ VIENNA** Staatsoper 19.30 Minkus' ballet Don Quixote, also Thurs. Tomorrow: Otello (Domingo). Wed and Sat: Die Frau ohne Schatten. Fri: Madama Butterfly. Sun: Der fliegende Hollander (51444 2960)

#### European Cable and Satellite Business TV

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Super Channel 0800-0620 Business View 0830-0700 Business Insiders 2130-2200 (Tues) East Europe Report - weekly indepth analysis rom FTTV 2130-2200 (Wed) FT Business

Weekly — global business report with James Ballini 2130-2200 (Thurs) Talking Heads

Sky News 1200 International Business Report 1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

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Super Channel 1800-1830 FT Business Weekly Sky News 1330, 1630, 2030, 0030, 0230 FT

1800-1830 World Business This Week

Monday February 17 1992

# How to cut BT's prices

THE MOST encouraging between these two rates — feature of the BT price review. about £700m in hard numbers which started last month, is that it will be conducted to a large extent in the open. Past examinations of the telecommunications group's prices by Oftel, the industry regulator, have been behind closed doors.

Openness is important not just because price control must be seen to be fair to BT's customers it is also important. because errors in controlling the company's prices in the past have mainly resulted from Oftel's exclusive reliance on its own internal resources. Sir Bryan Carsberg, Oftel's director-general, may be a distin-guished accountant, but he has a tiny staff to pitch against BT's array of lawyers, economists and accountants. By consulting widely, Sir Brian hould receive help from independent experts.

Sir Bryan is right when he asserts that a price cap is a better way of controlling BT's monopoly power than direct curbs on profits. A price cap gives the company an incentive to improve efficiency, cause it is allowed to keep any extra profits that it earns through cutting costs.

But profits must be taken into account in setting the price cap. The cap should allow BT to earn reasonable profits if it makes reasonable progress towards higher efficiency, but reward it with extra profits only if it makes exceptional progress on efficiency.

#### Detailed forecasts

Judging exactly how far BT's prices should fall can only be made on the basis of detailed forecasts of the effect on prof-its both of different price caps and of different definitions of reasonable profits and efficiency. Oftel will be doing this work in the next few months. In the new spirit of openness, it should publish these before

concluding a deal with BT. On the basis of the figures now in the public domain, however, the provisional conclusion has to be that BT's profits are excessive. In the financial year to the end of March 1991, BT earned a return of 25.4 per cent on the capital employed in its regulated businesses, compared with the 18 per cent that Oftel had initially expected. The difference

is a measure of BT's extra

What then should be done? Nothing, according to BT. Its argument is that the price cap, which was tightened last year, is already cutting profits, as the 4 per cent decline in pretax profits for its third quarter reported last month shows. The likely effect of the current The likely effect of the current cap should, indeed, be the starting point for the review. But looking at one quarter's profits in isolation, especially in the depths of a recession, cannot be the basis for a formula that will last for four or five years. Profits normally fall in recessions. Most other companies have been much worse

#### One-off cut

If, as seems likely, BT is still earning excess profits when the current cap expires, there are two principal ways of returning these to telephone users. Oftel's preference would be to tighten the cap a notch or two; but a one-off cut when the next price cap is imposed would also be possible.

Sir Bryan's objection to a one-off cut is that BT would have less incentive to improve efficiency in future if extra profits earned this way were clawed back immediately. He argues that in a competitive market, which ought to provide the benchmark for regulating a near monopoly like BT, firms with particularly high efficiency see their extra profits eroded gradually because it takes time for rivals to catch

This argument would be conclusive if BT's extra profits were the result of better-thanexpected efficiency. But Oftel has explained the divergence between BT's actual profits and its forecasts mainly in terms of its initial decision not to regulate the company's international call charges, which earn a return on capital of over 80 per cent. Why should BT's customers have to pay more because of a regulatory oversight? It seems sensible to phase out extra profits that stem from BT's extra efficiency only gradually, but it would be better to hand back those that

# **Short-changed**

the straightforward activity it once was. As a growing numin the last year, banks and building societies commonly discontinue a well-establishe savings account and replace it with a similar one offering better terms to attract new cus-

Savers who do not monitor carefully what their building society is doing may be stranded in an account which earns less interest than they have a right to expect.

Building societies offer several excuses for doing this kind of thing. One is that in the age of retail financial markets, sav-ers ought to shop around constantly for the best bargain as they do when buying corn-flakes or shoes. Another is that savings institutions are forced into this sort of ploy because consumers are already too astute and the savings business is less profitable than it used to be. The real reason seems to be that computer

PUTTING your money into a savings account with a bank or building society is no longer pay the better interest rate only to a smaller group of new

customers.

A recent ruling by the Building Societies Ombudsman accepts that societies should take reasonable steps to inform customers of new accounts by advertising in the press and publicity in their branches. Rather weakly, the Ombudsman stopped short of insisting that building societies should actually tell customers directly actually tell customers directly when a better account is avail-Yet when TSB Bank opened

a new savings account recently, it wrote to all holders of similar old accounts, telling them they would be transferred to the new one. One society, National & Provincial, has promised to tell its customers what the best account is for them. Quite right too. Savers are not only the customers of building societies: they are also their owners. When an industry treats its owners this way, it is a sign that something is going seriously

# **Water babies**

THE CHAIRMEN of the UK's privatised water companies have not hitherto been seen as Gekko class. Yet in one week's frantic haggling in July 1989, they appear to have out-negoti-ated ministers and civil servants to the tune of £2bn. The story is told in the National Audit Office's

account of water privatisation, released on Saturday. Even through the foot-deep litter of Whitehall caveats, it is possible to detect what really happened. The government's merchant bank adviser, Schroders, told it

that - partly because of regulatory uncertainty - water companies' shares would have to yield more than those of British Gas. It argued that the companies would need to cover their interest payments four times over with profits for a mass market privatisation to

That was what the government wanted, but it tried to keep interest cover to three times. Enter, in that crucial July week, the water chairmen, playing their trump card: unless the government loosened controls on prices, and gave them stronger balance sheets, they would have to make "heavy qualifications" (the NAO's words) in their flo-

tation prospectuses.

Over the next few days, the government caved in: it relaxed price ceilings; switched from net debt for the companies of £435m to a cash injec-tion of £1.1bn; jacked up predicted future costs; and gave way on interest cover.

Since much of the companies' riskiness had now been eliminated, was it still necessary to offer such a generous yield? Apparently so. The average yield was set at 8.55 per cent, compared with British Gas's 7 per cent.

The sale went well. Since then, the water companies' shares have outperformed the market - and British Gas by 30-50 per cent. They now

yield less than Gas. Water privatisation raised £3.6bn for the taxpayer, some 22.13bn less than the government's "illustrative" estimates before the July negotiations started. Let us have simpler, more leisurely privatisations in Westminster. After years during which they were left future, says the NAO. Let us have better negotiators, too. standing by Labour's slick pr

worst of times for Ford in Europe. Never has its performance in the world's biggest car market been painted in such stark colours of success and failure.

It achieved record car sales in western Europe last year and yet collapsed into a record loss, compounding the huge losses it had also racked up in The world's second-largest vehicle

maker captured its biggest ever shares of the Italian and French car markets and achieved its highest-ever sales volume in Germany.

In the UK it suffered its lowest car sales since 1977 and, most alarmingly, its UK market share sank to its lowest

At Ford of Britain - traditionally the milch cow of its European operations - record profits of £437m (on ordinary activities) in 1968 have een transformed in three years into a staggering loss (on ordinary activi-ties and before extraordinary gains) of £920m in 1991.

In the US parent company's books Ford made a net automotive profit of \$284m last year in continental Europe. The surplus was obliterated, however, by the losses of \$761m at Ford's established British operations and losses of \$354m at Jaguar, plus the heavy financing costs — \$247m — of the Jaguar acquisition. The result was a European automotive loss of \$1,070h; \$1.079hn.

The woes of Ford's mainstream operations in the UK have been compounded by the medium-term financial disaster of the Jaguar takeover. The £1.6hn proudly paid by Ford at the end of 1989 to acquire the UK luxury car maker is rapidly looking like the sting of the century for Jaguar's former share-

Exacerbating Ford of Europe's management discomfort is the sight of General Motors, its arch rival and for long the loss-making laggard in Europe, accelerating past it to a suc-cession of bumper profits.

Ford and GM both sold just over

1.6m cars in western Europe last year. While GM is expected to unveil record net profits for its European operations of about \$2hn for 1991 – dwarfed unfortunately by GM's huge losses in the US - Ford has only red ink to show for its efforts.

The reasons for the crisis that has engulfed Ford in Europe can be found in large part in the UK recession. Urgent emergency roadside repairs are now being carried out at Ford of Britain, but the broader European problems are more deep-seated. Ford of Europe is confronting severe structural challenges as it seeks not only to recover the ground lost to its European rivals, but also to prepare for the Japanese onslaught.

Most immediately it must staunch

the haemorrhaging in the UK. Ford of Europe executives, pressed to explain the financial woes, point first to the failure to forecast the depth of the UK recession.

Mr Bill Fike, the aggressive presi-

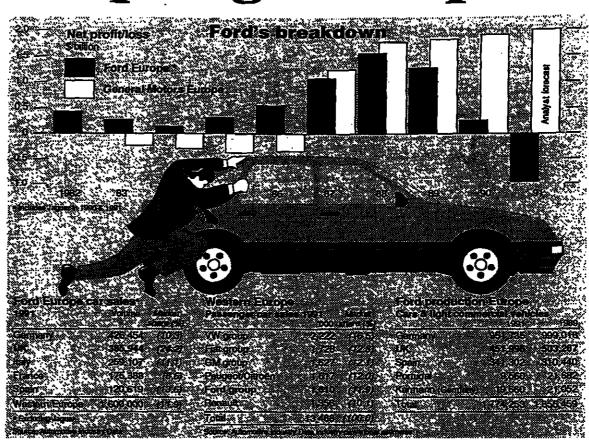
dent of Ford of Europe, says simply:
"The market fell away from us so fast we had excess stocks. Each month the industry was falling away faster than Mr Ian McAllister, Ford of Britain

chairman and managing director and another new arrival in Ford's European management blood-letting, said last week: "We were building vehicles for a market that did not exist." ced by the task of "liquidating" its bloated stocks, Ford embarked on a ruinously expensive price war in the jumped in the UK last year to the shocking level of 24 per cent of reve-nues from 14 per cent in 1990. These costs range from discounts and low-

cost finance to special fleet deals.
"We need a better balance," said Mr
McAllister last month. "We have elected to reduce our volumes [sold] to the daily rental fleets in 1992 rather than just turning over metal. It is not

Ford needs short-term repairs in the UK and a long-term overhaul across Europe to be a survivor in the 1990s, writes Kevin Done

# Winter of despair, spring of hope



economic." Ford of Britain was taking action, "so that we are not laundering validles through dealers into used car

fleets," he said.

With the zeal of the newly converted he insisted: "I don't see the point of chasing registrations for the

After two years of trailing the recession downwards Mr McAllister insists that the UK operations have touched bottom, although he refuses to indicate when the company might reemerge into the black.

There is a long way to go, however. Last year, excluding Jaguar, Ford of Britain's traditional operations slid to a pre-tax loss on ordinary activities of £430m from a profit of £61m a year

As marketing costs escalated, pro-duction has had to fall to bring stocks under control. Ford is creaking under the burden of fixed costs. The British operations, excluding Jaguar, used only about 70 per cent of their plant capacity last year. The Halewood Merseyside, Escort/Orion plant suf-fered 110 "down days" with no output. The Southampton Transit van plant suffered 50 "down days".

Only Dagenham of the three assemtion cuts, thanks to its ability to pro-duce left-hand-drive cars for continental Europe. More than 50 per cent of Dagenham's Fiesta production was exported last year. In a glaring oversight Ford had failed to equip Halewood for left-hand-

drive Escort/Orion car production. Trapped in the confines of the UK market it worked a three-day week for

only 127,117 last year compared with 188,804 in 1989. (In 1990 Halewood output was hit by a seven-week strike). Belatedly the mistake has now been made good and car export shipments from Halewood started this month.

The Halewood mistake was exposed by the pattern of new car demand in Europe. While there was famine in the UK, formerly Ford's biggest European market, there was feast in Ger-

The imbalance was exacerbated by

We were building vehicles for a market that did not exist' - Ian McAllister, Ford of Britain chairman

a shortage of the right mixture of engines and gearboxes, says Mr Fike: Ford is investing heavily to catch up with its rivals' engine programmes the first units from its \$2bn Zeta engine development programme have started coming off the assembly lines year it was left having to push "brown" engines to unwilling customers in Germany because of the lack of "green" engines equipped with cata-

demand in Germany which it did not have the capacity to satisfy. Mr Lindsey Halstead, Ford of

Europe chairman, insists this will improve in 1992, when sales finally begin to pick up in the UK, and as the abnormal demand generated in Germany in the wake of reunification subsides. "That will put us in a better For the longer term, the Ford of

Europe top management seeks to attack the daunting structural chal-lenge. Last week the message went out from Ford of Europe's Warley, Essex, headquarters via its private television network to the workforce of nearly 100,000 that the company was "leaving no stone unturned to find ways of improving the international competitiveness of our European

operations".
The comforting reassurances are being followed by tough actions. "The battle in Europe has begun - and truly only the fittest will survive." Mr Fike told more than 300 senior Ford

managers recently.

In the past year he says \$500m of costs have been taken out of Ford's European operations. For the first time for decades the European workforce is now below 100,000. In 1979 a workforce of 150,000 produced 1.4m vehicles; last year a 100,000 workforce produced 1.8m units.

The screw is being tightened fur-ther. Another 2,100 jobs will be cut in the UK alone this year. Layers of senior management are being taken out as Mr Halstead works to flatten Ford was left with capacity where it the pyramid of the Ford hierarchy had no sales in the UK, but with across Europe by a third.

Mr Halstead believes that part of Ford's current lack of competitiveness

stems from its supplier structure. (Some 50 per cent of the costs of a carrare bought in from outside suppliers.) Now the numbers are being cut radically and remaining suppliers will have to shoulder much more of the research and development burden. The number of suppliers has been cut-by 15 per cent to 900 since 1988; Ford plans to shrink the total by another 83 per cent by 1995 to 600.

Ford is siming to achieve a 25 per cent cut in its investment spending by 1997 without reducing the quality of the investment. Involving component suppliers early on in product development, getting designers and engineers to work simultaneously and asking consumers what they want sooner are all considered vital to gain greater investment efficiency.

it is working again towards improved productivity and quality at the UK Dagenham and Halewood vehicle assembly plants, coupled with dire warnings to the workforce of a failure to coth up with Early action. failure to catch up with Ford's equiva-lent continental European operations; "It isn't the facilities that are differ-

ent, there is not a damn thing wrong with the Halewood facility. It is the way labour is organised and the way labour functions . . You have to close the gap (with continental Europe) eventually, or you have to shift capacity because otherwise you will have to say to hell with it," says Mr Halstead. Ford is seeking to reduce the complexity of its model range. At the same time it has the ultimate ambition of reducing new model develop-ment times from the 73 months of the recent past to only 36 months by adopting radically different Japanesestyle "heavyweight" project manage-ment teams. Under this system each major car product line would become its own mini-business area.

He admits that Ford has been costdriven rather than customer-driven. At the same time it has been "awfully compartmentalised" with a vertical structure of sales and marketing, manufacturing, product developmen finance and human resources all

reporting upwards. Instead Mr Halstead is seeking a horizontal structure with decision-making responsibility pushed down in the organisation. "It will take five more years to get where we want to be," he admits. "The Japanese are still the low-cost producers and they have more horizontal structures

Mr Halstead accepts that Ford is hampered by having its research and development efforts divided between two sites in the UK (Dunton, Essex) and Germany (Merkenich, Cologne) but declares that recent speculation that Dunton could be closed is "ludicrous. From 1985 to 1992 we invested £156m at Dunton, Now tell me we are going to walk away from

Instead the Halstead vision calls for the "co-location" of development teams working on a specific project at a single site. "There is a 10 per cant cost penalty of having two sites. We carry about 250 people more than we need, so we must re-organise to make the two sites stand more alone."

Beyond the radical structural reforms Ford also needs a healthier sales balance in western Europe by cutting its earlier overwhelming dependence on the UK

For several years it has been plotting a strategy for conquering market share in southern Europe, and its actions are now yielding fruit. It has moved in on Flat's domestic flefdom in Italy and has managed to push its share of the Italian car market to 11.1 per cent last year from 7.7 per ce 1990 and 4.8 per cent in 1989.

in the midst of its current woes Ford's success in Italy shines as one of the most considerable coups that any car maker has pulled off in the European arena. Fiat has claimed that Ford has simply bought market share, but Mr Halstead insists: "That is wishful thinking. We made money in

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#### Pirelli's retread

Step forward Marco Tronchetti Provera, 44, the new man at the helm of Italy's troubled Pirelli tyres and cables group. Little known outside the company until last December, he moved into the limelight when chairman Leopoldo Pirelli told an
astonished press the takeover
bid for German tyre giant
Continental had collapsed.
Tronchetti Provera, who

like the 66-year-old Pirelli himself is a substantial shareholder in the company, is thought to have been cool about Conti from the start. His scepticism has now paid off. Although Pirelli, a keen sailor, stressed the need for a firm hand on the tiller while the group was still in troubled waters, it now seems that hand will be Tronchetti Provera's. The change was not

until the agm later this year before announcing his retirement. As it happens, he will remain non-executive chairman, while Tronchetti Provera takes over the job of executive deputy chairman as well managing director. Undoubtedly, the move is a blow to genealogists, who would have liked to see another Pirelli in charge. As it happens, Leopoldo's son, Alberto, 38, is still on the bridge. But Pirelli-watchers think it may not be long before he too, jumps overboard, to return to studying marine biology, which they say is his true love.

unexpected, although many expected Pirelli would wait

Tory spinners ■ The opinion polls may show the two main parties in immovable deadlock. But there is no doubt who is winning the war to catch the ear of political journalists at



machine, the Conservative spin-doctors have seized the initiative.
The balance has been tilted

by the permanent presence in the House of Commons press gallery lobby of Tim Collins, a former adviser to employment secretary Michael Howard. The inexhaustible and well-briefed Collins is available day and night (including Sundays) to provide a suttable ministerial quote for a "friendly" story or to highlight the latest "gaffe" by a Labour opponent. Meanwhile the Labour side is still suffering from the departure

two years ago of the irascible but highly-skilled Peter Mandelson and, more recently, that of his deputy Colin Byrne. Political journalists, used to being spoon-fed, have started giving the benefit of the doubt to the Conservatives.

Free issue ■ While we may be spared another war in the South Atlantic, there'll be ructions for the poor translator who produced the English version of last week's European Parliament speech by Argentine president Carlos

The original Spanish had the often-jinxed president calling for greater EC-Argentine "inter-action free of suspicions and mistrust". The official English translation unfortunately misplaced a word.

"Let there be a free inter-action of suspicions and mistrust," it read. Ouch.

Alien practice ■ The Japanese are noted for exporting their methodical. no-stone-unturned attitude to manufacturing, but sometimes, it seems, they go a little too far. Journalists



attending the official opening of Toshiba's UK air conditioning factory were surprised to find a prepared list of questions to "assist" them at a press conference after the Duke of Kent had unveiled the plaque and planted the obligatory tree.

An affront to the intelligence of the great British press? Not necessarily. Finding 30 questions to ask about air conditioning on a damp, foggy Friday on the outskirts of Plymouth would have taxed the ingenuity even of Observer's man on the spot. The trade press concurred: "I'll have No. 23," said the first intrepid questioner.

Rent-a-cop

■ How much a year does the average London hobby spend on photocopying? Answer: £464. Another £198 is spent on postage and £927 worth of telephone calls are made, according to the Metropolitan Police's internal costs guide released by the Association of London Authorities. Chief Superintendents use the reckoner to cost local

budgets and staff allocations for football matches and other public events. The figures give a fascinating insight into police priorities. A police dog costs £20.50 per day (what do they feed them?), but one can get 17 police dogs for the price of a commander (£349 per day). Police horses are a bit more

pricey but you can still get six of them for the price of one constable (£145 per day). More conventional means of transport start at 70p a mile for police motorbikes rising to £2.38p a mile for a police

And the cost of investigating unauthorised leaks of such sensitive information? Alas

Protest

It has taken Britain's wider share ownership gang such an awfully long time to relaunch itself that it should have been able to think up a more catchy title than Proshare.

The search for a new name and logo has been "a bit like establishing Brand X or Daz," says one insider. "We have got to establish an image and get people identifying the services they want with that image." Dewe Rogerson, no less, has been helping with the image building and on Thursday all will be revealed at a glitzy press conference. is Proshare any relation to Proned, the non-executive directors pressure group?

Fast food

■ "Once we're geared up," said a Yeltsin aide enthusing about his country's potential, "within 10 years 80 per cent of Muscovites could have their

own private jet."
"But what would they want one for?" asked a western

listener. "Well," came the reply. Supposing they heard there were potatoes in St Petersburg, they'd be able to get there

FT CONFERENCE 17 FEBRUARY 1992

INTERNATIONAL BANKING

A distinguished panel of central, communical and investment numers from carrose, North America, the Middle Best and Japan will review the outlook for the international banking industry. Speakers include: Mr Englis Manuscoto, The Benk of Tokyo; Dr Enk Hoffineyer, Dannaciu Nationalbank; M. Jess-François Lepath, Banque Industrat and Dr Emst-Marky Lipp, Dresdner Benk.

ESTABLISHING A PRESENCE IN JAPAN London, 4 March

The Rt Hon Peter Lilley, MP will give the opening address at this one-day conference, arranged in association with Priority Japan. The strategic and practical aspects of investing in Japan will be examined, with presentations by Mr Michael Penry, Uniterer, Sir David Scholey, SG Watheng Group; Dr John Russell, ICI Japan; Mr Tanacaus Shibeta, The Japan Development Bank and Dr Peter Williams, Oxford

WORLD PHARMACEUTICALS

This topical programme, arranged in association with Coopers & Lybrand, will focus on how pharmaconical manufacturess are globalising their organisation and operations in response to the demands of a changing marketplace. Speakers include Mr Heini Lippaner of CIBA-GERTY, Mr James Wilson of Systex, Dr Armin Konsler of F Hoffmann-La Roche, Professor Dr Houst Mayter of Bayer AG, Mr William Parfet of the Upjohn Co, Dr Haken Mogram of AB Astra and Mr Juno-Jacques Bestrand of Rhöne Poulenc Roses.

MANAGING FINANCIAL RISKS

The wedgings is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management. It comprehensive technical reference material with an intensitive format, case a

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This course is designed for employees in companies with interests in the City to provide a broader trademizating of all reports of the operations of the City of London and the factors that make it a pre-emment financial and trading conten.

international securities markets: Limiting market risk London, 12 & 13 May

This high-level conference will focus on the multi-laterial amongs to limit market risk, and will provide a broad intensional perspective of market regulation, how the markets are developing and the management issues of assessing and controlling risk. Speakers include Martin Vile of the Soundies and Investments Board, Issue Scind-Geons of the Commission dos Operations de Boarse, Gooffiney Fritchew of the Commission of the Encepton Communical, Por Kent of the Bank of England, Dr. Tom Huertus of Culturk and Jonathus Davis of BZW Equities.

prizios should be addressed to: Financial Times Conference Organisati All empiries should be addressed to: Financial Times Confessor Organization, 126 January States, London SWIY 4U. Tel: 071-925 2323 (24-hour answering service), Teles: 27347 FTCONF G, Fax: 071-925 2125

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after the meeting in Minsk of the heads of state of the Commonwealth of Independent States - a meeting described by the presidents who gave public statements afterwards as "taking co-opera-tion to a higher level" - Russian news agencies reported that "patriotic forces" had met in the city of Nizhny Novgorod to establish a Russian-only organisation to defend the the release of a strong Brush & hostakes; Make the hostakes; Make the hostakes have opposed the the hostakes and contained to the contained to Russian people".

They also reported that other organisations had met in

n Saturday, the day

the same city to hear Mr Gavril Popov, mayor of Moscow, say that the Commonwealth had no future; that the commander of a battalion in Sevastopol was removed from his post by the commander of the Black Sea Fleet for taking an oath of allegiance to Ukraine; that the fighting between Armenians and Azeris in Nagorno Karahakh grew figreer; and that the president of Azerbaijan, Mr Ayaz Mutalibov - who had left the "constructive" meeting in Minsk early because of the worsening situation in the region – was appointed leader of the self-defence forces in

The facts of daily life in the CIS render hollow the declara-tions of Minsk, as they have all other declarations of the two-and-half-months-old body. And though Mr Stanislav Shushkeyich, the chairman of the Bela rus parliament and the host at the Minsk summit last Friday, bravely tried on Saturday to persuade the public that CIS is the structure without which we will never survive", the fact is that soon it will be the survival of the structure itself which will be at stake. All judgments on the pro-ceedings of the CIS should be preceded by the warning as far as can be told. That is

out after the meetings is con-fused, rhetorical, accompanied by no written declaration or summary of the agreements reached, and with no explanation of what the aims of the meeting were, and how far they were realised. Within these strict limita-

because the information put

tions, what seems to have hap-pened at Minsk last Friday was All 11 members of the CIS (the three Baltic states and Georgia – in Minsk as an observer – are not members),

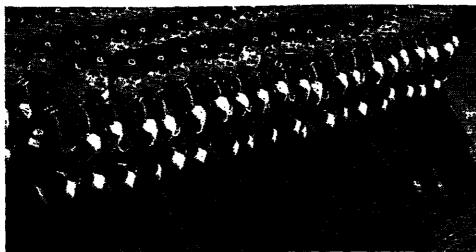
from the former Union's 15

states agreed to remain under

a unified strategic nuclear command. Three of the II - Azerbai-jan, Moldova and Ukraine -have ceased to pretend that they will take part in a unified CIS army, and will continue to form their own armies. Two

A further step towards separatism

The Minsk meeting on the future of the CIS was disunity disguised as co-operation, says John Lloyd



United forces, formerly Soviet and Commonwealth, are inexorably disintegrating

stan - will get out of the CIS united forces as soon as they can. Those left in the unified command for a "transitional period" of two years are Russia, Armenia, Kazakhstan Kirghizia, Tadjikistan and Turkmenistan. The last five are very poor, and getting poorer. They are desperate to hang on to what Russia can offer them in the way of cheaper resources and (especially in the case of Armenia)

The rest was window dressing or technical. There were some 20 agreements on issues such as economics, energy and transportation links and on the army being able to draw its supplies from all participating republics. Officers are to be given guarantees about their ranks within national or unified forces and assurances about housing and wages.

Both what has and what has

not been agreed leave vast questions which go to the very root of the Commonwealth and, more important, to the nature of the independent states themselves. The problems which have arisen from the collapse of the Soviet Union, many of world importance, are so vast and require such courageous and consist-ent work on their solution that it is no wonder that leaders states - Belarus and Uzbeki- shrink from them, sign agreements which cannot be honoured and put off until the next meeting (as they have done at every meeting so far) issues which they cannot face resolving. According to those present, the proceedings in Minsk lacked structure and preparation and documents which were barely understood were nonetheless signed.

Foremost among the out-standing questions, certainly as far as the world at large is concerned, is the nuclear issue. Though the states have preserved a common line, it remains unclear what their new strategic doctrine is; or, rather, it is clear that such a doctrine does not yet exist. Any doctrine which did emerge would have to make clear whether the nuclear force protected only the four states which hold the strategic weap-ons or the entire Commonwealth. Since the weapons are no longer to be targeted on the Nato countries – as Mr Yeltsin has said – new priorities would need to be set. (This is also a matter which, in reverse, the west must resolve for its own nuclear forces.)

It is by no means certain that the member states of the CIS nuclear alliance will always have the same defence interests, particularly now that the Central Asian states are developing links with coun-

If the right of bilateral MFN

on shipping as a result of its "liberalisation".

Efthimios Christodoulou, Minister of National Economy,

evidence that our academic, opinion-forming and policy-

making guests come from all strands of political opinion.

general director, Institute of Economic Affairs,

tries such as Iran, which may not in future be allies of Russia. By the end of two years, if the statements of Belarus, Kazakhstan and Ukraine are carried through, only Russia will possess nuclear arms of any

kind. Any state renouncing

sure that a nuclear neighbour

on its border would not one

Barrier and American Committee of the Co

day dispute it.
More immediately urgent are
the effects of the Minsk settlement in the sphere of conventional weapons. Before Mr Yeltsin apparently agreed to form a common defence force with the five other republics, opinion among Russia's parlia-mentarians, and many of its senior military people, was that Russia must form its own army in order to stop the breakdown in morale and coherence with which the "united" force is now faced. Mr Yeltsin was said to be ready to sign a decree on the creation of a separate army; is he now to back away? After all, what has been

agreed is that there should be unity for a two-year period of transition, presumably leading to separate armies. It is diffi-cult to see how and why the instruments for a united force should be forged in a short neously, the member states will also wish to make prepara-

tions for individual forces Even if such a united force can be maintained, there now can be maintained, there now must be a negotiation (put off to the next CIS summit meeting in Kiev on March 20) on the division of army property to allow those who are leaving to have a basis for their separate forces. This will be highly constanting. rate forces. This will be highly contentious, especially since Ukraine has a disproportionately large share of tanks and advanced weaponry – a legacy of its forward position in the defence of the former union.

The question of the Black Sea Fleet remains to be settled, legacy between Princip and the

largely between Russia and the Ukraine, but necessarily within the context of the Commonwealth since the fleet is formally Commonwealth prop-erty. Remarkably, though this has been the main point at issue between Russia and Ukraine for over a month, neither of their presidents according to Mr Leonid Krav-chuk, the Ukrainian president

raised it.
The underlying question is the crudest: can they trust each other? Territorial questions are everywhere being raised, and are paraded in the national legislatures, much of whose rhetoric is increasingly whose ractoric is increasingly bellicose, as the old pretences of comradeship are stripped away. Economic crisis envelopes them all, with no relief in sight. It would be strange if populsim and chauvinism did not take root and grow.

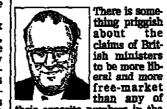
Mr. Shuckberdel was right to

Mr Shushkevich was right to say in Minsk on Saturday that the states had better hang together than hang apart, for they are all in desperate straits. Some of the agreements, on the joint mainte nance of transportation and energy links are encouraging. But a further protocol agreed to divide the assets of the former state bank, Gosbank between them - assets which were in part its republican branches and which have anyway already become the cen-tral banks of the new states. Russia monopolises the supply of money and credit, and has laid claim to the gold. What was needed to continue the operation of a common currency zone was a banking union - but it seems this is no longer even to be attempted.
Minsk, in short, was a further step towards separatism: disintegration badly dressed up to look like co-operation. The Commonwealth has no independent existence or authority. It has only a tiny secretariat and is able to do nothing

between brief and Ill-prepare meetings. It may be that the former Soviet states will real-The MacSharry proposals do, however, need a different kind ise that they must co-operate and create a vehicle for doing so. But that moment has not of reform. To see why, recall the deficiency payments which yet come, and is not in view.

Samuel Brittan

# Right way to reform the CAP 'reform'



to be more liberal and more free-market than any of their opposite numbers in the European Community – although that would not be dif-

Scepticism is amply justified by the British government's reaction to the MacSharry plan for reforming the Common Agriculture Policy (CAP). The plan is a remarkable attempt by the EC's agriculture commissioner, Mr Ray MacSharry, to decouple payments to farmers from agricultural prices. to decouple payments to farmers from agricultural prices, and thereby to furnish some support for farmers without having to rig the structure of world food markets.

The direction of the Mac-

Sharry plan - towards transparency and away from market rigging — is surely one that nearly all gradualist reformers have advocated. Indeed, the commissioner will have his work cut out getting his ideas through meetings of ministers beholden to the farm lobbies.

If he is entitled to support from any government, it is surely the British, which has far and away the smallest pro-portion of its citizens working on the soil. Yet as recently as last Wednesday, February 12, Mr John Gummer, the British agriculture minister, was pouring cold water on the proposals - you will never guess the annual general meeting of the National Farmers Union. before he dictates a letter to the Financial Times - that Mr Gummer's complaint is that income payments will be biased towards the low income farmers, and away from the

more prosperous and efficient ones who predominate in British agriculture, and who are influential beyond their num-bers among the shire Tories. It would surely be best to wel-come the MacSharry proposals and concentrate on the distribution of income support.

The system was less bad than the CAP, because:

• the cost was obvious to the taxpayer, and thus self-limit-

• the British consumer paid for imports at world market prices rather than at prices rigged by import levies and the like. Even then, superficial minds argued that the cost of the policy could be reduced by shifting the burden from the taxpayer to the consumer by higher prices - an error known as fiscal illusion.

The real problem of the old British system was different. It was that, as deficiency payments were tied to agricultural proceeds, farmers were given wrong signals about market

'Setting aside' land is like dumping coffee in the sea or forcible early retirement

demand for their products. demand for their products.

The MacSharry plan suffers from a similar defect. This is shown in Reforming the CAP, a paper by Professor Stefan Tangermann, of the University of Goettingen, recently published by the Institute of Recognition of the Institute nomic Affairs\*. The professor even manages to find a reason for coupling payments at least partly to farm output and income, rather than treating them purely as social security or redistribution towards the poor. This is because farmers have been "trapped" into the present scale of production by a CAP which gave them false reassurance.

The change that Professor Tengermann advocates is shifting the basis of income support from current production to a past reference period before reform, for example, the aver-age of 1989-91. This seemingly trivial alteration would, at a stroke, banish all incentive to produce on an inappropriate scale by fossilising the basis for payments to farmers. This would allow farmers to respond to world market sig-

were used to support British agriculture before the UK joined the Community in 1978.

A further great advantage is that it would no longer be necessary to make income support conditional on farmers' setting

aside land for non-farming use - as payments would no loager have anything to do with current production. Forcing farmers not to use land is like dumping coffee in the sea or imposing early retirement - all stupid and ultimately immoral forms of compulsory waste, imposed because policy makers cannot think of better ways of coping with market-clearing prices.

The exact basis for incompayments to farmers is a matter of political haggling to which elementary economics can contribute little. But it can contribute something to the question of whether to the the question of whether to the the payments to the farm or the individual farmers. The Tan-germann proposal is to make the payments to existing farmers for a period of, say, 15 years, but to allow the rights to them to be bought and sold.

The accompanying IEA publicity talks about farmers being

given lump sum compensation for instance bonds which might be worth £150,000 for a farm of 240 acres. This is slightly misleading, and could put off finance ministers whose budgets are based on primitive cash flow concepts The bonds arise from making the MacSharry payments transferable, All that govern-ments and the Commission need do is to legalise a market It is easy to show that the worldwide race to protect farmers is self-defeating, and any benefits go not to working farmers, but to landowners partly because economy-watchers, from finance ministers to economic journalists, are too busy to look more than occa-sionally at the intricate details of this one particular sector, and fear to trip up over the details. Yet ending the scandal of the CAP could make far more difference to economic welfare than the difference between the worst and the best conceivable annual govern-ment budget in Britain, and other Community countries. \*2 Lord North Street, London.

# LETTERS

#### Accountants' virtues finally recognised

From Mr Ian R McNeil. Sir, Chartered accountants owe Michael Dixon one (Jobs Column, February 12). At last someone has recognised their inestimable virtue. If I didn't have such a high regard for the ethics and integrity of journalists. I would send him a bottle thing fizzy: I am sure he would appreciate vintage

Izer.

I found it striking to see the degree of overlap between the attributes which the researchers found in chartered accountants and those which, I hope, Royal Air Force recruiters are looking for. Calm, even-tempered, inclined to plan ahead, reliable, not impulsive. These are exactly the characteristics which I would may for in which I would pray for in someone flying fast jets in low-level training over my

In the letters column of a less serious newspaper than yours, Michael Dixon's story could be the spark for a long series of accountant jokes. I am sure you won't allow that to have a long that it case we have happen. Just in case, we have all heard the one about the difference between accountants and actuaries, and the one about the accountant advising a man landing by balloon! Im R McNeil.

Chariered Accountants, Chartered Accountants' Hall, Moorgate Place, London EC2

#### US stance on shipping ignores spirit of Gatt

From Mr Efthimios
Christodaulou.
Sir, I read with interest
Frances Williams's report, "EC farm stance seen as biggest threat to Gatt talks" (January 14)

I must note, however, that apart from the well-known problems with agriculture, there are, also, difficulties in other sectors of the negotiations. The attitude of the US with regard to maritime trans-port is one of great concern to my country - for which shipping is an economic activity of paramount importance - and, I would say, to other maritime

countries too.

The US insists on preserving its own right to sign bilateral most favoured nation (MFN) agreements even after a postu-lated successful conclusion of the Uruguay Round. This approach is by no means compatible with the spirit of the

From Mr Graham Mather. Sir, It is unfortunate that your columnist Joe Rogaly (February 14) said "the IPPR is Labour's think-tank in the same way as the Centre for Policy Studies, the Institute of Economic Affairs and the

The IEA is independent and puts out ideas which anyone -Conservative, Labour, Liberal Constraint on teachers' pay

From Mr Martyn Lloyd. Sir, Your leader, "Fair pay for teachers" (February 11), addresses only one part of the equation in offering competitive salaries to teachers. The main constraint in accommoconceivable that, as a result of the Uruguay Round, more restrictions than those existing at the beginning of the negotia-tions would be imposed on dating an increase of between 5.5 per cent and 8.5 per cent will be the financial resources available to a particular

Under the local managemen of schools (LMS) system, indi-vidual schools are funded by a "unit of resource" based on the If the right of bilateral MFN agreements is to be preserved, and if an effective standstill and a gradual and progressive roll-back are not to be included in the framework of the agreement under negotiation, then the exemption of maritime transport from the Druguay Round altogether is preferable. At least, in this case, no more restrictions would be imposed on shipping as a result of its number of pupils on the roll. In recent years, this has failed to keep in line with the teachers' pay awards, with the consequence that school budgets – delegated to in-dividual schools – are inade-

in attempting to come to terms with these budgets schools either have to reduce staff levels or accept a degree of deficit budgeting.
As a result of this pay increase, we surely will be

expecting to see more of the practice witnessed in Dorking where parents have been asked to contribute £30 a head to meet the wage hill.

Martyn Lloyd,

1 Dorfield Road,

Surrey GU4 7YY

Fax service

# Ideas for all strands of opinion come to pick up. If Joe Rogaly will look around next time he is here, he is very likely to see

Adam Smith Institute are the

Towards a 'level playing field' in trade and the environment

Graham Mather,

Those costs must include the From Mr Barry Coates.
Sir, I was pleasantly suruse of environmental services

- for example, using nature as
a source (as in timber) or as a
sink (as in waste disposal). If
companies do not pay for those prised to see your extensive coverage of trade and the environment (February 12). It seems at last that there is a recognition that trade and environment issues are inextriservices, they are trading unfairly. This is the crucial point that the Gatt report does not address. Under current However, I felt that the disrules of trade, Gatt allows cussion, both in the General Agreement on Tariffs and Trade report and the article, nations to impose countervailing duties for dumping covering most costs, but does not did not adequately address the central issue – that trade rules should treat producers fairly, and create the nuch sought after "level playing field". An improvement alternation extend this to environmental

dumping. In fact, the rules explicitly do not allow differential treatment of traded products on the basis of their production method.

This leads to approximant field". An important element in fair trade is that producers should not be able to "dump" This leads to environmentally destructive competition and low commodity prices. For their products at prices that are below cost.

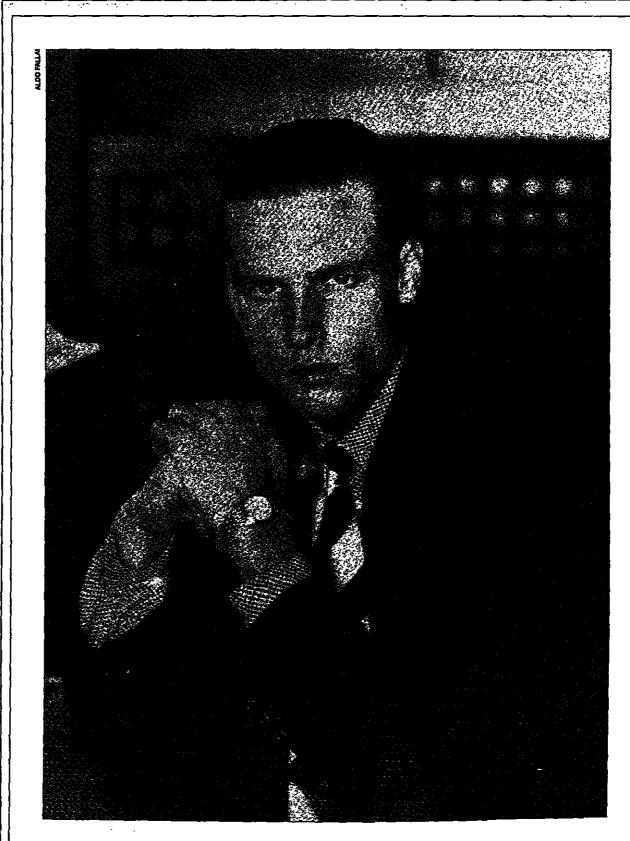
example, timber producers have no incentive to spend money on long-term forest management when their com-petitors are not required to do so. The result is forest damage, and, in the long run, possible deforestation. National action alone is not sufficient; a

change in international trade

rules is required. I agree with Gatt that national policies should be the main mechanism to establish main mechanism to establish environmental policies, but it must be recognised that Gatt needs to play a role in setting up the framework for fair trade between nations. Otherwise, there will be a transfer of polyphysic industries to developing luting industries to developing countries, as suggested in a recent memorandum from the

This is not a rabidly protec tionist view. Most environmen-talists favour the reform of trade rules in the area of agriunlike Gatt, we regard sustainable development as the objective, rather than trade liberalisation itself. It is to be hoped that the nations that determine Gatt's rules, including the UK, are also working towards those objectives. We look forward to their support for the longawaited reform of our interna-tional trading system at the Earth Summit discussions in

head of development policy. World Wide Fund for Nature



GIORGIO ARMANI

178, Sloane Street, London

# **FINANCIAL TIMES**

Monday February 17 1992



New strategy aims to fight recession by raising investment and exports

# Poland to reform economic policy

By Christopher Bobinski in Warsaw and Anthony Robinson in London

Conservatives' jet

charter points to

April 9 UK poll

THE Polish government, led by Mr Jan Olszewski, will today announce an important shift in economic policy which reflects growing popular pressures on east European governments.

The new strategy aims to ease the rigours of market-ori-ented policies which have led to rising unemployment and declining living standards, especially in state-owned

It downgrades the fight against inflation and aims to combat the recession by raising investment and exports. It implies a sharper devaluation competitivity and reduce imports and is part of a wider strategy to speed up the pace of privatisation.

CONSERVATIVE party managers have signed an

rate jet to carry the UK prime minister and his top aides between mid-March and April

10, the firmest confirmation to date that the government is

planning an April 9 election. The BAe 146 jet, an 80- to 100-seat medium-range aircraft,

will carry Mr John Major, and

the entourage of journalists and television crews accompa-nying him, around the country for the four-week campaign.

Details of the contract,

including the name of the leas-

ing company, remain confiden-tial both for security reasons and to mask the implications

about election timing. The contract can be cancelled if the

opinion polls dissuade Mr Major from calling an April

election. The aircraft is due to

be returned on April 10, how-ever, with the clear implication

that the vote is expected to be

the day before.

While politicians of all par-ties have been convinced for

some time that Mr Major will

call an election for April 9, until now there has been no

the parties' campaign plans. Mr Major will not make his

final decision until he has ana-

lysed the polls in the week fol-

lowing the March 10 Budget. But most senior Tories now

believe that only disastrous

opinion poll figures will stop him from calling an early April ballot. In the interim, Tory

campaign managers are now clearly planning for an April 9

election. The contract for the

The message is contained in document accepted by the government on Friday and sent to parliament at the weekend. The shift in emphasis away from the anti-inflation priori-ties established by Mr Leszek Balcerowicz, the former finance minister and deputy premier, is expected to gain conditional approval from the International Monetary Fund. The IMF suspended disbursement of its \$2.5bn extended loan package last September

targets. An IMF consultative team which left Warsaw last week concluded that the country's problems were "difficult but manageable".

jet charter will almost cer-tainly have included a signifi-

cant cancellation clause, penal-ising the lessees if they fail to take up their option.

with the prime minister during the campaign have already been told that the deposit

alone on a "season ticket" has been fixed at £3,000 (\$5,310) and

the final cost may be substan-

At normal commercial rates

the rental of a BAe 146 would

vary between £10,000 and £15,000 a day, depending on crewing, routing and other fac-tors. A lengthy hiring such as

for an election campaign would command large discounts,

however, particularly in a

Conservative Central Office yesterday would neither con-

firm nor deny the signature of

an air charter contract with an April 10 return date. "There

are preparations for a range of

dates and they are not all April 9," an official said.

Labour and the Tories were

level pegging in weekend opin-ion polls, in spite of gloomy economic statistics last last

eral Democrats increasing,

Ralph Atkins writes. But Labour leaders were yesterday

confident that as perceptions

about the economy sank in, their support would rise.

as the central part of its cam-paign strategy but will also

focus on health and education.

The Tories will respond with claims about Labour's continu-

ing links with trade unions.

Labour has set the recession

when the budget deficit and other indices overran agreed

The IMF is concerned that Poland faces a "severe risk of a return to hyperinflation" but recognised last autumn that Poland must boost export earnings to shore up diminishing foreign currency reserves and prepare for heavy debt service commitments after 1994.

This year's plan, drawn by Mr Jerzy Eysymontt, the head of the central planning office who is now in charge of overall economic policy, expects infla-tion to slow to about 40 per cent this year from 60 per cent in 1991. The aim of reducing inflation to single digits, origi-nally targeted by Mr Balcerow-icz for the end of 1991, has been put back until 1994.

Two key elements of the plan are tougher wage controls

to cut real income by 5 per cent, and higher taxes on consumer goods. Last year real wages grew by 2 per cent despite a sharp rise in unem-ployment, while consumer Zl 100,000bn. The government hopes that

goods imports rose 126 per cent to \$4.1bn on the back of a strong revaluation of the zloty. The government, which hopes to limit the expected budget deficit to Zl 70,000bn (\$6.1bn), or 5 per cent of GDP, plans to raise turnover taxes on alcohol, tobacco, petrol and

"luxury" items in April.
Mr Karol Lutkowski, the
new finance minister, warned ministers last week that failure to increase budget revenues could send this year's deficit over 10 per cent of GDP. But he has already had to concede a

money supply target next year after pressing for a lower limit of between Z175,000bn and

the increased flow of money to the economy, lower wage costs, higher exports and less compe tition from imports will bolster company profits, increase budget revenues and stem the threat of mass bankruptcies.

Under the new plan, eco-nomic growth could range between zero and a fall of 5 per cent, according to a top govern-ment adviser, Professor Stanis law Gomulka of the London School of Economics, Last year the central statistical office estimated that GDP fell 8-10

#### Deutsche Telekom to reduce long distance call charges

By Quentin Peel in Bonn DEUTSCHE TELEKOM, the

German state telecommunica atlantic call charges by up to 37 per cent, and will investi-gate its entire tariff structure. The aim, according to the group, is to bring its charges more closely into line with the demands of international competitiveness and justified costs.

However, the drastic cuts in transatiantic charges, which will lower the cost of a three-minute call to New York from DM9.43 to DM5.98 (\$3.76), fol-

low strong pressure from both US and German industry. Deutsche Telekom, one of the last great hastions of state monopoly in telecommunications in the west, has been under attack from customers for its high international call charges, especially since both Britain and France have reduced their transatlantic tar-

has faced US pressure to bring its charges into line as it de one of the largest net beneficiaries in the bilateral pooling of tele-communications income: Age US to Germany than vice versa because of the disparity in charges. Earlier this year the two gov-

ernments agreed substantial cuts in the "accounting rates", according to which the tele-communication income is

The Deutsche Telekom decision also includes the first step towards a "radically new tariff

According to the new struc-ture, lines for longer distances will become significantly cheaper while short-distance traffic will be more expensive. The charges will come into effect from July 1, but will make no overall difference to the organisation's income.

In a second step, however, Deutsche Telekom said it intended to reform overall tar-iff levels for leased lines from January 1 1993. It cited the example of lines carrying 2 megabit per second, for which an annual reduction in charges of 10-15 per cent was planned for the years 1993-95.

While the new charges are clearly intended to answer the complaints of German industry at the high costs of investing in the country, and the grow-ing trend to invest offshore, Deutsche Telekom is simultaneously planning to make pri-vate citizens pay more for pop-

ul<u>ar</u> services. The group also decided to increase charges for cable TV connections by up to DM3 a home, arguing that the rate remained below comparable levels in Sweden and France.

Corporate tax, Page 3

Hanging on: Bill Clinton whose support is declining

# City of London plans central list of suspected fraudsters

By Richard Waters in London

A CENTRAL directory of suspected fraudsters and other wrongdoers in the financial and corporate worlds is being planned by City of London and UK government officials.

The directory would be used to link intelligence collected by the City's investment watch-dogs, the Bank of England, the Building Societies Commission, the Stock Exchange and the companies investigation division of the Department of Trade and Industry. It could be extended to embrace the Serious Fraud Office.

The creation of a central directory would make it possible for investigators inquiring into an individual or company to find out whether any other body had information which could help. Sharing information in this way could lead to better communication between

Continued from Page 1

unwilling to slash output back

to its former level of 5.4m b/d.

organisation could be widened

if and when United Nations'

sanctions are lifted and Iraq

stages a full return to the

export market. At that point,

The divisions within the

Opec agrees output cut

the many bodies in the UK charged with investigating suspected fraud or other financial

Regulatory bodies already share information and claim that the current arrangements work well. However, it is impossible at for a watchdog to tall whether any other body has information that might be of use it in a particular case.

The initiative to create the

central file has come from the Securities and Investments Board, the chief investment watchdog. It is understood the SIB is close to reaching agree-ment with other City regulators on the directory.

The Department of Trade and Industry has yet to agree to the idea, which is modelled on a proposal for a central database on fraudsters put for-ward by a House of Commons

accommodate Iraq's return to the production regime without

Other producers such as

Iran, Algeria and Venezuela face pressing domestic con-cerns for higher oil prices in

order to boost revenues. Minis-

ters have agreed to meet again

depressing prices.

committee in a report on company investigations.
The SIB's proposal would not lead to information being pooled centrally. Instead, the central file would be an index of individuals and companies and would list which agencies had information on them. The

the agency concerned.

Regulators hope this would overcome the resistance of some bodies which are concerned about pooling sensitive information in a central sys-tem which would be widely Mr Kenneth Warren, chair-

investigator would then seek the information directly from

man of the select committee, welcomed the plan. He said a link between the planned file and similar systems main-tained by regulators overseas was also needed.

#### **Bush heads** for victory Continued from Page 1

Buchanan predicted a big pro-

test vote. Come Tuesday, the Buchanan brigade are going to run head-on into the hollow army of King George and cut through it like butter." According to the latest Bos-ton Globe poil, Mr Bush, with 54 per cent, holds a 28-point lead over Mr Buchanan, Most

experts believe the challenger needs at least 35 per cent to maintain a credible campaign in the primaries in the south next month.
Mr Tsongas has exploited Mr

Clinton's difficulties by casting himself as a pro-husiness Democrat willing to challenge the party's liberal orthodoxy. However, his appeal outside his home base in the north east remains questionable.

Over the weekend, Mr Clinton's campaign went door-to-door to 20,000 households, passing out video tapes to pro-

Continued from Page 1

production capacity by having a daughter, Tracy Two. Using the Scottish sheep, Bayer intends to make two 1997. It will take at least until then to complete clinical

A flock of about 3,000

treat the 100,000 sufferers of AAT deficiency that Bayer estimates are in Europe and North America.

Both animals are owned by

Pharmaceutical Proteins, a venture capital start-up based in Edinburgh. Much of the research on Tracy was done at Edinburgh University, and

# Bayer to use protein from sheep

mote his candidacy

tonnes a year of AAT from trials.

Pharmaceutical Proteins tried to interest two of the UK's largest drug companies in AAT produced by Tracy, but was turned down.
It found a customer in Bayer

partly because research on transgenic animals, those which have received genetic material from other species, is effectively banned under

#### at the end of April to review the effect of the new agreeproducers will have discuss a Pharmaceutical Proteins rents reduction in the flow of oil to ment on the market. Tracys should be enough to laboratory space there. WORLDWIDE WEATHER

arthorns at middley yesterday G-Closely Co-Cotezie F-Feb Fg-Fog H-Half R-Rain 3-Severy SI-Sinet Sh-Soow T-Thursday

# Lloyd's, and other troubles of the rich

for those of us not directly involved to dis-cuss the Lloyd's crisis with the long Sunday face which ought to be appropriate. The spectacle of Conservative "names" assiduously feeding information to Labour's City team, and thus helping to stir up a scandal which could lose some of them their seats as well as their investment, is really a sign of desperation and ought to be seen as tragic. It

looks comic, though.

Their complaints, which are basically that insiders have been profiting at the expense of outsiders, also have their unintentionally comic side. Financial markets are basically Financial markets are basically markets in knowledge, where those in the know have always prospered since the days when the Rothschild fortune was consolidated by early news of the victory at Waterloo – and attracted only rueful admiration. The one gain from the affair is that no one will for a long time begrudge such names as stay the course their profits in the good years.

names as stay the course their profits in the good years.

In any case, it seems that there is a good deal of hind-sight in the judgments now being offered: anyone who has avoided large loss is seen as suspect rather than competent. To be sure, nobody will believe any internal investigation which reaches this conclusion: which reaches this conclusion; Lloyd's self-regulation must now have a very limited life expectancy.

The fact is that what made

self-regulation work was self-interest. As long as the investors were grandees with large power and patronage, it was pure commonsense to cos-set them. The democratisation of investment in Lloyd's will of investment in Lloyd's will have very much the same effect as the breaking up of the old City club, in which the blackball was far more effective (and infinitely less expensive) than any fraud office or rule book could be That is the inevitable price of progress if you think it is progress. The government's effect to democratise coulty investment will

government's error to demo-cratise equity investment will also make things steadily more cumbersome if it succeeds. The logical end of the road we are travelling will be an increasingly American system, with a powerful regulator, and no doubt a tangle of taxpayer. no doubt a tangle of taxpayer-financed investor protection as a safety net. This does preserve ing, it can involve very large additions to the national debt if vigilance is relaxed even for

a few Reagan years.

And it does not seem to achieve much else: the Ameri-can system has not delivered



By Anthony Harris

ised, and it has not encouraged saving. It seems to be a game played for its own sake. The contrast with Japan, where savings and growth are a legend, but the bursting of the financial bubble has revealed scandals which make our own look like errors in etiquette, is

academics like Colin Mayer of the City University Business School, who draw the obvious conclusion - that there is some contradiction between an obsession with highly liquid markets, and a need to finance massive fixed capital; but they may have the last laugh. Enter-

The logical end of the road we are travelling will be an increasingly American system,

with a powerful regulator, and no doubt a tangle of taxpayer-financed investor protection

prise seems to work best where it is known to be a risky busi-ness, and probably a little ris-que too. Our own attempt to reduce risk to a footnote in small type ("The value of secu-rities can go down as well as up") is really a hypocrisy. It leads to envy: if we fool ourselves that investment is safe, then large profits look suspect. Meanwhile the Securities and Exchange Commission in Washington has declared war

on another kind of insider the executive with excessive room pay has become such an obsession on this side of the Atlantic, there is no need to go into the issues; again, it is the imbalance between reward and perceived risk that makes executive featherbedding rightly

The American solution The American solution, based on the idea of transperency, will no doubt prove moderately effective, and may well inspire calls for a similarly powerful regulatory body here; but it is surely tracking the but it is surely tackling the but it is surely tacking the problem from the wrong end. What would be good for enterprise is to increase the risk rather than reduce the reward: to outlaw long contracts of employment, and ensure that incentive schemes work so that incentive schemes work so that pay, like share values, can go down as well as up. But this argument is a bit theoretical and can be challenged from experience: Japanese rules impose quite moderate pay in return for lifetime security. Symmetry is the thing.

eopolde

There is no symmetry, though, in the political effect. Recessions throw large rewards, whether from salaries or from the capital markets, into painful prominence, and encourage egalitarian protest. This is an important long cycle, according to a recent cycle, according to a recent book by Andrew Tylecote\*, who has examined all of the long cycle theories which people love to revive at times like these. He has concluded that there is nothing in most of them; but the inequality cycle

which provoked, among
other incidents, the French and Russian revolutions -

may be peaking again now. There is very probably rather less in this than meets the eye; but there is no question, surely, that rich is not only unfashionable at the moment, but likely to remain so for quite a long time. For that reason it is surely prudent to assume that even if President Bush manages to get re-elected, his successor is likely to be a Democrat; and equally that Mr Major may be the last in his line for some time.

Meanwhile the real economic cycle moves on. In the US, something of a consumer-led recovery really is under way, as is shown not only in the house market, but now in the car market too. Sales are not only sharply up, at some 15 per cent above this time last year, but far ahead of expectations. This does not mean that happy days are here again; even the more optimistic projection for the US still show an anaemic recovery by past standards. A recovery, all the same.

4.44

intel Statistic s

Not here, though. In the US interest rates are low, and both corporate and consumer debt has been reduced. Hence the upturn. None of these statements is true of the UK.

\* The Long Wave in the World Economy, Routledge.



Vienna AUSTRIA April 13th - 15th, 1992

The Organization of the Petroleum Exporting Countries (OPEC) is to convene a Seminar in Vienna, Austria, from 13th to 15th April, 1992, which will discuss environmental issues and their possible effects, ahead of the United Nations Conference on Environment and Development (UNCED) to be held in Rio de Janiero. Brazil in June.

The Seminar will be attended by participants from OPEC and non-OPEC producer countries, oil companies, coal producers, various organizations, international research institutes, experts from business and industry, in addition to representatives from developing

Speakers with scientific, economic and industrial experience will address the Seminar, which will be of particular interest to persons actively engaged in the areas of oil, energy, development and

Applications should be forwarded to: Registration Office (Registration Fee: US\$250) OPEC Seminar on the Environment **OPEC Secretariat** 

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ment's hope of keeping the 1992-93 PSBR down to 3 per cent of GDP or around £18bn was looking steadily more frag-ile. Forecasters have also been making increasingly pessimis-tic medium-term projections about the PSBR since the big public spending increases announced in last November's Autumn Statement. Last week, Oxford Economic Forecasting predicted that the PSBR would still be around

in 1991-92 and the govern-

£20bn by the middle of the 1990s. The rather more optimistic "Green Budget" produced by the Institute for Fiscal Studies and Goldman Sachs International a couple of weeks earlier projected a deficit of £6.4bm, or 0.8 per cent of GDP, as late as 1996-97. Such projections have cast

doubt on the government's ability to return to a balanced budget over the course of the current economic cycle: an Objective that Mr Norman Lamont, the chancellor, described as "paramount" in his New Year interview with

At first sight this is bad news. The balanced budget commitment has reassured financial markets that the present lurch from the public sector surpluses of the late 1980s to substantial deficit is no more than a justified and temporary response to a protracted and damaging reces-

But would abandoning the balanced Budget really matter? The markets don't seem to

They have so far shrugged off mounting speculation that the chancellor might unveil a generous tax-cutting Budget as



# **FINANCIAL TIMES** COMPANIES & MARKETS

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Monday February 17 1992



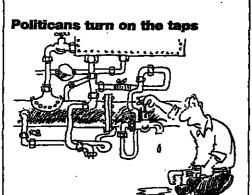
#### INSIDE

#### Leopoldo Pirelli gives up executive power

Mr Leopoldo Pirelli, 66, chairman of Pirelli, the loss-making Italian cables and tyres concern, is giving up executive powers in the company established by his grandfather 120 years ago. The termination of direct Pirelli family control over the company ends an era in Italian family capitalism. capitalism. Page 16

#### Freid. Krupp to float

Shares in Fried. Krupp, the German steel and engineering group, are to be traded on the open stock market this summer for the first time in the company's 181-year history. The group's supervisory board decided on Saturday to convert the group into a public limited company. Page 17



From the continent of Europe, the general elec-tion campaign in Britain takes the appearance of a world of mad electoral plumbing. One party proposes to insert a pipe at the higher tax bracket and connect it to the family allowances lower down. Another promises to dis-connect the filter on National Insurance contributions and lay a pipeline across to the National Health Service. A third, with a T-join at the petrol tax, would make a diversion into road building. The performance is absurd and, worse, out of date. Back Page

#### Busy time for telecoms M&A

Telecommunications was a busy sector for international marger and acquisition activity last week. Telefonica de Espana's purchase of 80 per cent of Telefonica Larga Distancia, the Commonwealth of Puerto Rico-owned long dis-tance carrier, consolidates its position in Latin America at a time of intensifying competition among global long-distance carriers. Page 16

#### Market Statistics

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# French approve Nestlé bid for Perrier

THE French government has approved the offer by Nestlé, the Swiss foods concern, to buy Perrier, the French mineral water group currently being courted by Italy's Agnelli family. Approval from the French

finance ministry for the FFr13.42bn (\$2.48bn) bid being mounted by Nestle and its French ally, the Indosuez banking group, is a fresh setback for the Agnellis as it removes one of the obstacles to a takeover battle

The French bourse authorities, which have already given the offer the green light, can now open the bidding period during which Perrier stockholders can accept Nestle's FFr1,475 a share offer price. Bourse authorities were expected to move quickly to open the bidding period, which usually lasts around a month. Since they resumed trading last Monday, Perrier shares have climbed far above the FFr1,475 a share offered by Nestlé and Indosuez, leading to the view that the

group will need to raise the offer to win control of the company. Speculation has been fuelled by the disclosure that Arab Banking Corporation, the Bahrain-based bank, now has 1.4 per cent of Perrier. Although the government's decision is a step in Nestland Company of the Company of the Section of the Banking Company of the Banking Corporation of the Banking Cor tle's favour, the battle is by no means over.
Attention this week will shift

to the courts. The key issue is whether the French commercial courts will accept Nestle's attempt to annul the purchase of a crucial 13.8 per cent of Perrier by Saint Louis, a French foods group allied with the Agnellis. The uncertainty may explain the olive branch extended to the Agnelli's on Saturday by Mr Gerard Worms, the chairman of Indosuez's parent, Cie de Suez. In an Italian newspaper interview. Mr Worms said: There is still

considerable opportunity for a negotiated solution."

He called on the Agnellis to clarify their strategy in France. I sometimes feel they them-

selves don't really know." However, he maintained an accord between the warring parties was

The French government became involved with the Nestle bid, launched on January 20, as it stemmed from a company from outside the European Community to buy more than 20 per cent of a French concern.

Finance ministry approval had been expected, in spite of some opposition to Nestle from within the government.

# Robert Peston looks at the troubles of National Westminster Bank

# A giant humbled by its bad debts

one of the big English banks is proud of its financial results for 1991, which they all are about to disclose, starting with Lloyds on Fri-day. But the humiliation of reporting sharply lower profits or possibly even losses – is likely to be felt most keenly by National Westminster Bank, for much of the 1980s the biggest UK bank on most measures but now with a market value less than

both Barclays and Lloyds. The seeds of decline had been planted by the time Lord Alexander became chairman at the end of 1989. But when interviewed earlier this month he refused to blame his predecessors: "I am not prepared to judge the past." Seated at his "lucky desk" -

which he has transported from job to job since his days as a leading barrister - he was on alert to stop himself making any statement that could be construed as a profit forecast. As a former chairman of the Takeover Panel, he was particularly keen not to be reprimanded by the London Stock Exchange for disclosure of price-sensitive informa-

tion. His anxiety was probably misplaced. It has been an open secret in the City of London for months that NatWest's results will be very bad indeed. The figures seem unimportant; the downward trend will be so pronounced.

Only four years ago, in 1988, NatWest made bigger profits – of £1.4bn (£2.53bm) before tax – than any UK bank had ever done before or has since. But two lack-lustre years followed. Profits were depressed in 1989 by provi-sions against possible losses on loans to less developed countries and in 1990 by an increase in UK loan losses. Last year however the bad debt charge was so big an estimated £1.5bn from its UK lending alone — that the bank is thought by some analysts to have made a small loss. In NatWest's defence, all UK

banks suffered in 1991 from unprecedented levels of bad debts on their exposure to British companies and individuals. As the biggest lender to small and medium size companies NatWest was bound to be hit hard.

"This is the bottom-line judgment of the boom years of the 1980s". Lord Alexander said. Though NatWest cannot absolve itself of blame for the bad debts, he said that another measure of performance is NatWest's operating profit before bad debt charges, which in the first half of the year grew by 16 per cent, faster than both Barclays' and Lloyds'. However, other comparisons

with Lloyds show a different pic-ture. At the end of June, NatWest had total assets of £128bn. Lloyds' assets were less than half that at £54bn. Yet brokers believe Lloyds made more than £600m in pre-tax profits during 1991, a modest increase on the previous years' outcome.

These analysts also expect rate
Lloyds to make pre-tax profits
greater than £700m in 1992, com-

pared with around £350m for Nat-West. In other words, Lloyds appears to be on course to make much bigger profits than Nat-West in three successive years. This performance has also been reflected in the share prices of both banks. Since the beginning of 1988, Lloyds' share price has more than doubled, while Nat-West's price is no higher than four years ago. As a result, Lloyds' stock market value – which is close to £5bn – is £200m greater than NatWest's.

Lord Alexander plays down the humiliation of slipping behind

Lloyds. "We are not saying we

ever he also stresses that Nat-West is not a "semi-public institution . . . we run the business first and foremost for sharehold-

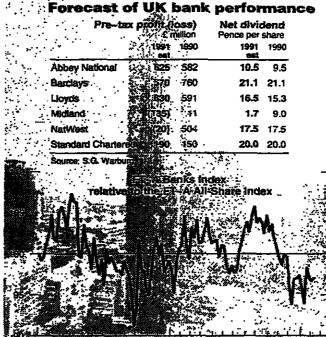
ers". Lloyds has done better than NatWest because it concentrated its resources on its core UK business of supplying financial services to individuals. In the 1980s it reduced its involvement in international banking — which was a highly competitive market — and its investment banking

has been kept to a minimum. NatWest, on the other hand, was intent on becoming a universal bank and on expanding around the world. Huge financial and management resources have been devoted during the past few years to reviving an alling invest-ment banking subsidiary, County NatWest, and to stemming losses in its US subsidiary, NatWest

Lord Alexander still eschews Lloyds' strategy of concentrating the bulk of resources on one or other sector. "There are and will remain twin villars to the business, a retail pillar and a corporate pillar", he said.

ated a reorganisation. He is reconfiguring the business into two separate banks, one serving individuals and small companies, the other big companies. This is similar to a reorganisation by Barclays last year. But NatWest has gone further

in that its corporate bank, Nat-West Markets, combines all its investment banking, treasury and corporate lending operations, whereas Barclays has kept the lending operations within its retail bank. Even before the changes take place, he is confident that County NatWest's longtroubled stockbroker is now in a



position where "it can be profit-

A management reshuffle has accompanied the structural change. "We need to keep a balance between the 'grey hairs' - good solid bankers in their fifties - and the younger generation with different management

Thus Mr Derek Wanless has een appointed as a deputy group chief executive with responsibil-ity for NatWest Markets. At the age of 44, he is seen within Nat-West as a high-flier and possible successor to group chief execu-tive, Mr Tom Frost, due to retire in August next year.

Whether Mr Wanless becomes chief executive so soon probably depends on the performance over the coming months of Mr John Tugwell - seen as the other contender for the top job – who took charge of NatWest Bancorp in April when losses from these US operations seemed to be escalating out of control NatWest executives say they

are delighted by Mr Tugwell's

performance to date and that the US operations are on course to return to profit in the current year. However Lord Alexander says he is "keeping an open mind on the future of the US business over the medium term". In other words, selling it is an option. In terms of the outlook for profits in the medium term, the

most important appointment may have been that of Mr John Melbourn, formerly chief executive of corporate and institutional banking at the bank, as a chief executive in charge of credit risk. Part of his brief is to recover funds which the bank has already written off in bad debt provisions.
One NatWest executive admit-

ted that such recovered funds could be the single biggest source of the group's future profits growth. Nonetheless, when Nat-West announces its results on February 25, shareholders will wish that the source of this future growth - the 1991 bad debt charge - was not quite so

## Day rules out BAe top level reshuffle

By Paul Betts in London

THE appointment of a new chairman at British Aerospace, the UK's biggest engineering company is not expected to lead to any significant top manage-

ment reshuffle.

Sir Graham Day, BAe's interim chairman, said at the weekend that the company's search for a new chairman was "on target" and that the position would be filled by someone who would be expected to work as part of the defence, acrospace, car and property group's existing executive management team.
"We are not looking for someone to come into the company with a fresh look but to join and work with the existing team", he

Sir Graham made a strong defence of Mr Dick Evans, the company's chief executive. Mr Evans is playing a central role in the selection and interviews of potential candidates for the

chairmanship. Some of BAe's critics in the City believe that further top management changes will be needed if the company is to restore its credibility with investors following its mishandled

rights issue last autumn. Sir Graham has been irritated by recent speculation that the search for a new chairman was proving difficult. "We have made no offers and no one has turned any offer down," he said. BAe, which is due to report its

preliminary results for the year ended December 1991 on Wednesday, is still hoping to announce the appointment of a new chairman in May to coincide with the company's annual meeting. Sir Graham said a short list of less than five candidates had now been drawn up. The com-pany had also started the first interviews of potential candi-

dates. While declining to disclose any names on the short list, he said BAe was looking for a candidate who was British and came from a large company with international experience. Not all the candidates were based in the UK but all were British because of the difficulties of appointing a foreign national at the top of a company with such wide-ranging

defence activities as BAe.

Candidates would be meeting BAe's top management team, including Mr Evans, to get a feel for the management they would be working with, Sir Graham explained. He added that Mr Evans and

Mr George Simpson, the new deputy chief executive, had the BAe board's "fall support".

# Growing pressure on state finances gives a headache

the envelope calculations that the PSBR could leap to around £24bn or 4 per cent of GDP next year.

Many economists would argue that the markets are right not to worry, and that a balanced budget is just mum-bo-jumbo. In the mid-1980s, the appropriate size of the PSBR was a subject of long and earnest debate in the Treasury and among outside economists. But despite employing some of Britain's best economic brains oritain's vest economic utains
including Mr Alan Budd,
now the government's chief
economic adviser – the issue
came nowhere near a clear

plucked out of the air. They are underpinned by an assessment of the growth potential of the community in a time of near-price stability (when infla-tion would be between zero and 2 per cent) and intended to yield an improvement in the debt ratios of the member

debt ratios of the memoer states over time.

So why should not Mr Lamont just tell the House of Commons on Budget Day that the balanced budget rule has gone, to be replaced by the Maastricht criteria? After all, the chancellor, for all his Euro-scepticism, is a strong sup-

#### **Economics Notebook**

By Peter Norman

conclusion. The upshot, according to Mr Peter Spencer, then a Treasury economist and now chief UK economist for Shearson Lehman Brothers, is that there is simply no objective guide to the right level of

government borrowing. However, the UK experience has not prevented European Community leaders adopting specific borrowing limits among the criteria to determine whether an EC member state will be eligible for moving to the third and final stage of economic and monetary union around the end of this

The Maastricht agreement states that government deficits must be either at or near 3 per cent of GDP and that a country's ratio of debt to GDP must not exceed 60 per cent for a country to move to Emu. According to officials who helped prepare the treaty,

porter of the European Monetary System as a weapon against inflation. If he acquiesces in the Europeanisation of monetary policy, should he not do the same when determining the UK's fiscal stance? The temptation to adopt the

Mastricht criteria must be all the greater because the UK's government debt position is far more favourable than that of its EC partners. Thanks to the budget surpluses of the late 1980s, Britain's net public sector debt fell to around 27.25 per cent of GDP by the end of 1990-91 from 47 per cent at the end of 1985-85. The UK net debt ratio is well below the EC average of 42 per cent and, according to the IFS-Goldman Sachs Green Budget team, would remain so, even if Britain's PSBR were to stay at 3 per cent of GDP for five years. The bad news for Mr Lamont

is that the Maastricht debt cri-

in the recession. To some econ-omists this is a sign that the UK cannot afford to run as large a budget deficit as other EC nations with a better trade performance. Any substantial and sustained increase in gov-ernment borrowing would risk fuelling further growth in the current account deficit, particularly if the savings ratio declines as recovery comes and consumer confidence returns. There is also concern that a return to persistent deficits would undermine the supply side economic reforms of the

1980s that have boosted the underlying efficiency of the economy.

Another worty - which, one hopes, would be of a temporary nature - surrounds the impli-cations for the Maastricht criteria of the very high real interest rates that currently

prevail in Britain. Bank base rates at 10.5 per cent are very high when compared with 4.1 per cent retail price inflation in the 12 months to January. The Maastricht criteria apparently were not crafted with such high inflation-adjusted interest rates in mind. It is therefore doubtful whether a 3 per cent PSBR-to-GDP ratio would be sustainable with such real rates and low inflation.

Servicing the debt would become an ever-greater burden to the state. Mr Lamont will therefore have some explaining to do, if he bows to reality and abandons the concept of a balanced budget over the cycle on Bud-

get Day, March 10.

To embrace fully the fiscal provisions of Maastricht could be long-term fiscal folly. But if financial markets are to be kept sweet, the chancellor will have to find a credible middle way of defining a sustainable borrowing requirement. It will not be easy, if only because the British economic establish-ment has tried before and

# teria could prove too disruptive for the UK economy once it has emerged from recession. The UK has continued to run a substantial current account balance of payments deficit in spite of a sharp fall in demand in the procession. To come account the procession of the procession on share account the procession of the procession. dealing

By Bronwen Maddox

pre-press group, has passed the Department of Trade and Industry a dossier on 13 people who bought more than 3.7m shares (about 9 per cent of the

shares (anout's per cent of the shares in issue) in Parkway Group in the months before Wace bid for it.
Six of the group, who bought more than 750,000 shares, are relatives of Mr John Clegg, Wace's chief executive who stepped down suddenly three

stepped down suddenly three weeks ago. Barclays de Zoete Wedd, Wace's stockbrokers, were aware only of the purchase of 75,000 shares of this total when they handled the takeover, but they received written assurances from Mr Clegg that he was unaware of his relatives

share dealing. Parkway's share register. obtained by the Financial Times, reveals that Mr Clegg's relatives shared addresses in north London with other people who bought Parkway shares heavily in the months before the bid on August 1 Wace's internal investigation

has uncovered a pattern of purchases of nearly 2m shares registered at two addresses in Hendon, north London, Belfast, and the Anglo-Irish Bank in Dublin

Mr Clegg was a director of Anglo-Irish Bank but resigned at the same time of leaving the Wace board.

The inquiry will also ques-tion why two nominee companies in the Channel Islands and Haywards Heath, Sussex, bought 400,000 shares in the months before the hid. The DTI is now investigating whether there was insider deal-

ing in Parkway shares.

# **Opening up the** money markets

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# Hibernia work capped while investors sought

By Bernard Simon in Toronto

THE THREE remaining partners in the Hibernia oil project off the coast of New-foundland have put a brake on construction work while they seek new investors for the C\$5.2bn (£2.48bn) venture.

The move followed the decision by Gulf Canada Resources to abandon its 25 per cent stake in the project. Gulf, con-trolled by Olympia & York Developments, developers of the Canary Wharf in London, said last month that it needed to conserve resources for

The field was originally expected to produce 110,000 barrels of oil a day by 1996, but the slowdown will delay com-pletion until 1997 at the earliest. The federal and Newfoundland governments are contributing about half the cost of the project, but Hiber-nia's long-term viability depends on an increase in oil

The remaining shareholders, Mobil Canada, Chevron Resources Canada and Petro-Canada, said no new contracts would be signed from this week and most work already under way would be slowe down. Work on the concrete gravity base for the production platform would be stopped

immediately. The slowdown will affect Canadian as well as foreign suppliers. Wimpey is among the companies which have been told to halt work. About 70 jobs will also be lost at a

design office in Paris.

The three remaining partners have appointed Goldman Sachs and Wood Gundy to find a replacement for Gulf. How ever. Petro-Canada has also indicated that it would like to

#### Receiver in last ditch effort to fly Compass

By Bruce Jacques in Sydney

THE receiver of Compass, the failed Australian domestic airline, Mr Ian Ferrier, announced what appeared to be a last ditch effort to get the company

Mr Ferrier told a Sydney press conference that another fledgling local airline, Southern Cross, was negotia-ting to take a 75 per cent stake in Compass and inject about A\$60m (£25m). He has given Southern Cross two weeks to

cement a deal.

The airline crashed into receivership late last year, stranding about 125,000 holiday season ticket holders. Mr Ferrier has estimated Compass is facing a A\$171m deficiency in funds if it is liquidated and a A\$45.2m deficiency as a going

concern. difference largely reflects the company's liability to ticket holders and aircraft

#### Ciments Français falls 59%

By Alice Rawsthorn in Paris

CIMENTS Français, the French company which is one of the world's largest cement groups, announced profits for 1991 down by 59 per cent to FFr400m (£40.94m) against FFr980m in 1990. News of the profits fall

comes at a turbulent time for the French construction industry, which has been badly to increase sales by 6.5 per cent to FFr16.5bn in 1991.

affected by the slowdown in the economy. It follows shortly after last week's announcement of an agreed FFr4.6bn takeover bid by the Fougerolle building group for Société Auxiliare d'Enterprises (SAE). Despite the slowdown

Ciments Français did manage

#### Chelsfield plans to go public

By Michlyo Nakamoto

CHELSFIELD, the private property group headed by Mr Elliott Bernerd, is planning to go public within four to six months either through a flotation or a reverse takeover of a quoted company.

The plans to seek a listing on the stock market emerged as speculation spread in the City about the financial well-being of the group.

The speculation centred on the demerger of Pall Mall, the

joint venture vehicle for the assets of Laing Properties, which Chelsfield acquired with P&O for £492m in April 1990. This will require an injec-tion from Chelsfield of about £250m into the joint venture from which it will acquire half the UK assets and a 50 per cent stake in the US assets, Mr Bernerd said. The Canadian properties will be acquired by P&O.

Mr Bernerd confirmed that Chelsfield has already made arrangements to satisfy the cash injection through senior lending with banks of between £100m to £120m, a further £50m to £60m of loan stock with equity rights and the remainder coming from an

equity placing.

Mr Bernerd also confirmed that the demerger of Pall Mall would be conditional on the repayment of a £340m non-recourse loan made to the joint

Following the placing, Chelsfield will have £360m of gross assets, £120m of senior debt and £60m of subordinated loan stock. Gearing would be at about 33 per cent, excluding the loan stock.

Mr Bernerd, who will retain about 50 per cent of the enlarged share capital, said that the preferred route for the company in going public was through a reverse takeover. There were "a good half a dozen situations" among listed

property companies that have lost their way in terms of stock market recognition, are unloved and provide a good opportunity for Chelsfield to reverse into. Mountleigh, which Chels-

field has been rumoured to be interested in for some time, was a very good example of such a company, Mr Bernerd

# Era ends as Leopoldo Pirelli gives up executive power

MR LEOPOLDO Pirelli, 66, chairman of Pirelli, the loss making Italian cables and tyres concern, is giving up executive powers in the company estab-lished by his grandfather 120 years ago.

Management control is going to a seven-member executive

The group includes Mr Marco Tronchetti Provera, 44, Mr Pirelli's son-in-law, who has emerged as the company's new driving force. Mr Tronchetti Provera, already one of two managing directors, has now been named executive deputy Mr Pirelli will remain chair-

man, but concentrate on liaison between Pirelli and Societe Internationale Pirelli and holding companies which con-

The termination of direct Pirelli family control over the company ends an era in Italian family capitalism. Although Mr Pirelli's son.

Alberto, 38, remains one of three deputy chairmen, Mr Tronchetti Provera's steady rise has left him increasingly



Leopoldo Pirelli: staying on

sidelined in recent months. The management changes represent further fall-out from last year's abortive takeover bid for Continental, Pirelli's slightly bigger German rival. The costs of that bid, notably the secret financial guarantees given to Pirelli's allies, account for around half its forecast L690hn (£320.03m) loss for 1991. the top, Mr Pirelli had stressed

busy in merger activity Telecommunications was a busy sector for international merger and acquisition activ-ity last week, writes Brian Bollen. Telefonica de Espana's purchase of 80 per cent of Teletinuing the trend for diversifi-cation by the UK's privatised water companies. It described its joint venture agreement with Spanish construction

**Telecommunications** 

fonica Larga Distancia, the Commonwealth of Puerto company Obrascon as a significant step forward for its activ-Rico-owned long distance car-rier, consolidates its position in Latin America at a time of itles in Spain, where it has been providing river cleaning expertise for several years. intensifying competition among global long distance disposals, Imperial Chemical Industries started buying again. Its bolt-on acquisition of Barnices Valentine, a Barce The asset-pooling joint ven-ture between Motorola of the US and Northern Telecom of lona-based maker of vehicle repair paints, will fill a gap in

Canada is aimed at stepping up competition in the cellular telephone sector. American its southern European markets. Also bolting on was Allied-Lyons, which acquired the Michigan-based Dawn relephone and Telegraph said its joint venture with a St Petersburg-based company was only a small part of its plans to develop Russia's the infrastructure there and

his intention to stay in charge. The change now, on the eve of a L519bn rights issue to but tress the group's shaky finances, will end speculation about his future.

The arrival of a younger generation of management not tainted by the Continental affairs should also help to restore shareholders' confi-

There has been growing concern in recent weeks about Pirelli's vulnerability to a take over following reports of sustained purchases of shares in Pirelli itself, and in the two holding companies. Although theoretically immune to a bid thanks to its complex struc-ture, the rumours have raised doubts about the company's

Mr Tronchetti Provera is believed to have been firmly against the Continental take over and to have watched with increasing dismay as it foundered. His family is one of the core shareholders in Pireili, with a 5.6 per cent stake in Pirelli & C, the ultimate holding company. Observer, Page 14

# Trilon Financial profits boosted to C\$109m for year

By Robert Gibbens in Montreal

TRILON Financial, a key holding company of the Peter and Edward Bronfman interests of Toronto, posted a sharp jump for 1991 profits because of better results by its financial services and property management affiliates.

Earnings were C\$109m (£52 1m) or 74 cents a share, up from C\$59m a year earlier on revenues of C\$5.7bn against C\$6.2bn.

London Insurance, one of Trilon's two higgest holdings, contributed C\$59m, unchanged, and Royal Trustco returned to

Its earnings of C\$107m included C\$21m from an asset sale and its dividend is still not

sale and its dividend is still not covered fully by profits.
Moody's is reviewing Royal Trustco's long-term debt and may lower its rating. "The review will focus on long-term earning capacity in relation to potential asset quality problems," said the agency in New York.

RT carries a single A-3 rat-

RT carries a single A-3 rating on its senior debt. Moody's

also pointed to the impact of the recession in Ontaric on RT's domestic business. Senior RT management told analysts in Toronto this week that the company's high level of non-performing loans in the past two years was due to the

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north America and UK reces-• DBRS, one of Canada's two credit agencies, lowered its rat-ing on O&Y First Canadian Place debt from A-high to sin-

gie A.
The company owns the
Reichmann Brothers' flagship
Toronto office complex, which
now has a 28 per cent vacancy

DBRS also reduced ratings on the bonds of several upper Olympia & York Developments subsidiaries.

#### Newman Tonks

Newman Tonks open offer of 13m new ordinary was taken up as to 10.4m by shareholders (79.83 per cent).

	CROSS BORDER	M&A DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Motorola (US/Northern Telecom (Canada)	Motorola-Nortel Communications (JV)	Telecoms	£110m	Sector competition hots up
Telefonica de Espana (Spain)	Telefonica Larga Distancia (Puerto Rico)	Telecoms	£79m	in search of synergies
Cap Gemini Sogeti (France)	Programator (Sweden)	Computer services	£48m	Agreed bld
Alcoa (US)	Kofem (Hungary)	Aluminium products	£28m	Controlling interest sought
Babcock International (UK)	Consilium CMH (Sweden)	Materials handling	£21.4m	Long term growth move
BTP (UK)	Lemblotte/TRL (both France)	Adhesives	£8.8m	Completing European jigsaw
Citizen Watch (Japan)	G Boley (Germany)	Machine tools	£4.5m	First foreign acquisition
Ash & Lacy (UK)	Galvanisation de L'Artois (France)	Galvanising	£1.7m	Third such buy
Northumbrian Water (UK)/ . Obrascon (Spain)	Obrascon Northumbrian (JV)	Water supply	n/a.	Seed corn move
Raicementi (Italy)	Cemos Ostrava (Czechoslovakia)	Cement	n/a	italians cement position

#### Newmarket Venture assets up

NEWMARKET Venture Capital had a net asset value of 60p at December 31, its year-end. At the end of 1990 the figure stood

The company has a portfolio of venture capital investments in the UK and the US. These are currently being realised and, as has previously been announced, it is proposed that the company is wound up vol-untarily and the assets distrib-uted to shareholders in

The company added that it does not take realised gains on its successful investments into the profit and loss account and it does not normally expect to pay ordinary dividends.

The p&l merely reflects deposit and investment income

and the running costs of the Pre-tax losses were cut to

£776,000 (£1.25m) and losses per share to 2.1p (3.4p).

SW Wood open offer result SW Wood said that of its open

offer of 3.91m new ordinary shares 661,875 were placed firm, 1.52m were taken up by shareholders and the balance of 1.73m would be

GT Venture net asset value 124.4p Net asset value per share of GT Venture Investment Co stood

Banco Di Napoli

International S.A. U.S. \$150,000,000 oating Rate Subordinat Notes due 1997

Nones due 1997

For the six months 14th February, 1992 to 14th August, 1992 to 14th August, 1992 the Notes will carry an interest rate of 55% per annum with a coupon amount of U.S. \$265.42 per U.S. \$10,000 None, payable on 14th August, 1992.

Bankers Trust Company, Lon

at 124.4p on December 31 compared with 125p a year earlier and 144p at the June 30 year-

end.
Pric tax profits for the six months advanced to £377,000 (£346,000) and earnings per share worked through at 1.65p (1.42p) basic and 0.72p (0.7p) fully diluted.

Anglo & Overseas assets rise over year

Overseas Trust was 317.3p at December 31, a rise of 18.5 per cent over the 267.7p of a year previously and a fall of 3.3 per cent from the 328.2p reported at June 30.

Net revenue for 1991 slipped to £7.35m (£7.66m). Earnings emerged at 6.36p (6.64p) and the final dividend is lifted to a proposed 4.7p (4.4p), for a total of 6.45p (6.15p).

Petrocon claims 34% of Wilkes

Petrocon Group now owns or has received indications of support amounting to some 34 per cent of James Wilkes ordinary

The figure includes Petrocon's purchase on Thursday of 330,000 Wilkes ordinary shares.

Porvair in medical buy

Porvair is acquiring all the preference shares and 75 per cent of the ordinary shares of Polyfiltronics, a maker of medi-cal diagnostic devices. Consideration is £300,000 cash and Porvair may obtain the remaining stake for up to £2m depending on profits.

Mitsul Taiyo Kobe Bank

(Luxembourg) S.A.

US\$ 50,000,000 101/2 per cent. Guaranteed Bonds due 1999

redeemed at their principal amount

17th February, 1992

By: Mitsui Talyo Kobe Trust

(Fiscal Agent

Notice is hereby given that, in accordance with Condition 6(C) of the Terms and Conditions, the

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#### **LEGAL NOTICES**

by: COOK BATES COMPANY, INC.

to: LRC NORTH AMERICA, INC.

#### IRRADIATION OF **GHANA COCOA**

**GHANA COCOA BOARD** 

The Ghana Cocoa Board's attention has been drawn to a Press Release purported to have been issued by an official of the Quality Control Department on the subject that Ghana Cocoa can now be efficiently preserved against pests, germs and viruses for two years through the use of irradiation without quality deterioration and still safe for human consumption.

The report further states that irradiation method is to be used to withhold cocoa from the market, and that the Government has put up a special building for this purpose with bigger irradiation plant donated by the International Atomic Energy Agency.

Cocobod wishes to categorically deny the above

The Board is aware of an experimental work going on at the Ghana Atomic Energy Commission on the application of irradiation for the preservation of food (fish and other agricultural produce) and for sterilization of drugs and other medical supplies but not cocoa.

The Board is also aware of the ability of the radiation technologies; but neither the Board nor the Government of Ghana has taken any policy decision on their use. Cocobod therefore continues and will continue with its traditional quality control methods of preservation which ensure premium quality cocoa that is accepted by all our customers and safe for all consumers.

We in Cocobod are aware of the possible hazards posed by the irradiation methods and will not undertake any preservation methods that could be detrimental to the health of our partners and consumers.

> D.K. ANINAKWAH CHIEF EXECUTIVE GHANA COCOA BOARD **COCOA HOUSE** P.O. BOX 933 ACCRA - GHANA

BESWORLD

#### COMMERZBANK OVERSEAS FINANCE N.V. U.S.\$ 200,000,000 Floating Rate Notes Due 1993

In accordance with the provisions of the Notes notice is hereby given that for the six months period from February 14, 1992 to August 14, 1992 the Notes will carry an interest rate of 4.0625% per annum with a coupon amount of U.S.\$ 205.38 per U.S.\$ 10,000 Note and U.S.\$ 5,134,55 per U.S.\$ 260,000 Note payable on August 14, 1992.

Frankfurt/Main, February 1992

COMMERZBANK 362

NOTICE OF REDEMPTION US\$ 100,000,000

carriers.

10% per cent. Depositary Receipts due 1999 (the «Receipts») Issued by The Law Debenture Frust Corporation p.l.c. evidencing entitlementto payment of principal and interest

in repect of a deposit with ommerciale Italiana (the «Banlo») (Hong Kong Branch)

Notice is hereby given that in accordance with Condition 4 (b) of the

Receipts, the Bank will redeem all of the outstanding Receipts on March 10, 1992 at their principal amount. Repayment of Principal will be made on or after March 10, 1992 upon presentation and surrender of the Receipts, at the offices of the Paying Agents listed below.

The Receipts should be presented for payment together with all unmatured coupons. Where any Receipt is presented for payment without all unmarured coupons appertaining thereto, redemption will only be made against the provision of such indemnity as the Bank

On March 10, 1992, unmatured coupons shall become void and no

payment shall be made in respect thereof. Receipts and Coupons will become void unless presented for payment within the period of twelve years from the Redemption Date in the case of the Receipts and six years in the case of the Coupons.

Principal Paying Agent Kredietbank S.A. Luxembourgeoise

Kredietbank N.V. Arenbergstraat 7 B-1000 Brussels

43 boulevard Royal L-2955 Luxembourg Paying Agents

Kredietbank (Suisse) S.A.

7, boulevard Georges-Fevon CH-1211 Geneva 11 Kredietbank NV London Branch

40 Basinghali Street

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US\$250,000,000 CITICORPO

Notice is hereby given that the Interest payable on the relevant Interest Payment Date, February 24, 1992, for the period November 14, 1991 to February 14, 1992 against Coupon No. 30, in respect of U.S.\$50,000 nominal of the Notes will be U.S.\$670.84.

#### Redland offer timetable extended Monopolies and Mergers Com-

The Takeover Panel has further extended the timetable regarding Redland's offer for mission, the Panel's view was that the timetable should be further extended. ---It will review the matter of the timetable again if there is

the ordinary and preference share capitals of Steetley. With no news forthcoming. from the secretary for trade and industry as to whether the bid would be referred to the

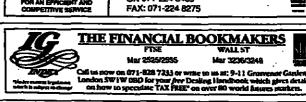
no announcement by the trade and industry secretary by March 12. CAL Forumes Ltd

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# BusinessWeek

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How To Get A Job At Microsoft Alain Gomez's Shrinking Empire

The Trade Marks set out beig ard September 1990.

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AND NAIL DRESSERS BEING
HAND IMPLEMENTS INCLIDED
IN CLASS 8
COSMETICS AND NON-MEDICATED
TOLLET PREPARATIONS. KUR-LASH

The Chase Manhattan Corporation U.S. \$250,000,000

Floating Rate Subordinated Notes due 2000 For the three months 18th February, 1992 to 18th May, 1992 the Notes will carry an interest rate of 5% per annum with a coupon amount of U.S. \$125.00 per U.S. \$10,000 principal amount, payable on 18th May, 1992. Rankers Trust A Company, London

Agent Bank

February 18, 1992, Landon By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANC

#### **COMPANIES AND FINANCE**

# Krupp shares to be traded Echo Bay reduces for yea on market for first time

By Christopher Parkes in Bonn

SHARES in Fried Krupp, the German steel and engineering group, are to be traded on the open stock market this sum-mer for the first time in the company's 181-year history.

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The flotation follows a decision by the group's supervisory board on Saturday to convert the group – of which 75 per cent is held by the Alfried Mines one of Care differences longer on that First is no desir from Alger Krupp foundation and 25 per cent by the Iranian government - into an aktiengesells-chaft, or public limited com-

pany.
Fried. Krupp AG will serve as the umbrella organisation controlling the combined operations of the existing Krupp businesses and those of Hoesch, soon to be merged Hoesch, soon to be merged with Krupp. Some of the shares are

expected to be used in swap deals to pay for the outstand-

ing 49 per cent of Hoesch stock back to sole family ownership still not in Krupp's hands. back to sole family ownership during the second world war, A majority, however, will remain under the control of

the Krupp foundation - established in July 1967 - making the group virtually immune to takeover challenges. The Krupp plan followed a decision by the Hoesch super-

visory board last Friday not to obstruct the merger, which is expected to produce cost savings of DM300m (\$184.2m) a year for the next five years, and a DM460m annual "positive contribution to results" from 1996 onwards. Krupp, founded in 1811 as a "manufacturer of English cast

steel", first became a stock cor-poration in 1902. However, Ms Bertha Krupp, the founder's granddaughter, owned all but four shares.

The group was converted

He has since raised his stake in the company to 52 per cent. Analysts said this was not the first time that Mr Jacobs had been associated with dis-

crepancies in prices offered to majority and minority share-holders. In July 1990, many

institutional shareholders in Jacobs Suchard complained

that the offer by Philip Morris to minority shareholders was much lower than that offered

to Mr Jacobs for the majority.

Switzerland has no effective code to protect minority share-

Allgemeine said its net

1991 from SFr378 a year earlier, because the company changed its strategy and sold off many

of its investments at a profit.

An unchanged dividend of

SFr15 a bearer share, as well as a one-time bonus of SFr5 reflecting the good results, will

takeovers.

FIRST AUSTRALIA PRIME INCOME . .

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Morgan Guaranty Trust Company of New York

Notice of Annual General Meeting of Shareholders

Notice is hereby given that the Annual General Meeting of Shareholders

Waterhouse, Jersey, C.L as auditor of the Company for the fiscal

(4) To adopt a special resolution approving the amendment to Article

(5) To adopt a special resolution approving the amendment to Article

(6) To transact such other business as may properly come before the

The Board of Directors has fixed the close of business on January 15th,

1992 as the record date for the determination of shareholders entitled to

IDR-holders are not emitted to attend the meeting. Those who wish to

(1) If the IDRs are held in an account with Euroclear or Cedel, IDR-

(2) If the IDRs are not held in Euroclear or Cedel, IDR-holders must

holders must contact Euroclear or Cedel instructing them to block the IDRs in the IDR-holder's account until conclusion of the meeting and

ensure that their voting instructions, together with either their IDRs or

their bank's confirmation of deposit (including IDR serial numbers).

specifying the manner in which the votes attributable to their IDRs

By order of the Board of Directors

72 of the Articles of Association;

year ending September 30,1992

74 of the Articles of Association;

52 of the Articles of Association; and

meeting or any adjournment thereof.

vote at the Meeting or any adjournment thereof.

Voting arrangements for IDR-holders

vote must follow one of the following procedu

from SFr65.9m.

# target for gold output this year

Sorin Biomedica agrees

to acquire Pfizer division

By Kenneth Gooding, Mining Correspondent

when the group was known abroad as Hitler's armourer. ECHO BAY Mines, one of were \$6.8m, or 0.07 cents a North America's biggest preshare, compared with a net Once known only for its steel clous metals mining groups, has set 1992 targets which will see gold output fall and cash and weapons manufacture, it has since become a diversified business with more than 200

production costs rise. subsidiaries and annual Sales last year of DM15.6bn. The Toronto-based company has set a production target of 700,000 troy ounces of gold this At present, steel accounts for 50 per cent of turnover, with engineering and plant-making contributing DM5.50n, trading operations a further DM2bn and electronics some DM700m. year, down from 733,900 in 1991, which in turn followed a 10 per cent drop from the 1990

The cash cost target is \$255 The merger with Hoesch will make the group the second bigan ounce compared with \$249 last year and \$244 in 1990. gest German steelmaker after Thyssen, and also offer syner-Echo Bay plans to lift capital expenditure from \$50m to \$66m gles in motor components and other engineering sectors. this year but exploration spending will be \$5m, only half the 1990 level and down from Krupp's switch to Plc status is likely to be completed in March and first trading in the \$6m last year.

Silver output is targetted to jump from 5.6m ounces last year to 8m ounces in 1992. In 1990 silver production was just Echo Bay announced its 1992 targets at meetings in Europe and North America after revealing net earnings for 1991

SORIN Biomedica, the stock

market quoted subsidiary of

Italy's SNIA-BPD textiles and munitions group, is buying the Shiley artificial organs division of Pfizer, the US drugs group,

for \$230m.

The deal will be largely financed by a one-for-one rights issue by Sorin Biomedica, which will raise around 1.2180n (\$178.4m) through the issue of 72.8m new shares, priced at 1.3,000 each.

Sorin Biomedica heads the expanding biological heads the expanding biological regime.

expanding blo-engineering activities of SNIA-BPD, which is controlled by the Fiat group. Shiley, based in California and

with production facilities in Germany and Italy, has around

1,900 employees and expects sales of more than L200bn this year. Most of its products are

for \$230m.

share, compared with a net loss of \$59.7m, or 60 cents, in 1990 when the company wrote off two investments.

Revenues fell to \$315.6m from \$338.9m reflecting lower gold prices and production.
The average price realised by
Echo Bay for gold was \$392,
down from \$404.

The company has hedged 109,200 ounces of 1992 gold production at an average of \$397 duction at an average of \$397 an ounce and 3.7m ounces of 1992 silver at \$4.45. Prepayment of loans reduced Echo Bay's hedged position and the company has chosen not to lock in present "low" prices by making any additional forward sales, Gains of \$6.2m from 1991 pre-payments of gold and silver loans will be recognised in 1992 earnings.

Echo Bay's proven and probable reserves at the end of 1991 totalled 12.535m ounces of gold, against 12.462m the previous year, and 116.994m ounces of silver, against 135.881m.

per cent of total group sales. Sorin Biomedica has been expanding rapidly in recent years through a number of acquisitions, which have consolidated its position as a lead-

ing producer of speciality drugs and high-technology items for surgical and medical

Olivetti, the office equip-

ment maker, yesterday signed a letter of accord with the Ital-

ian government and trade unions to cut its workforce by

1,500 after a month and a half of negotiations, AP-DJ reports from Milan.

The agreement fell far short of Olivetti's initial plans,

announced last month, to cut

its payroll by 2,200. Olivetti has

launched a company-wide restructuring plan in an effort

to trim costs and maintain

competitiveness despite the

#### Jacobs offers SFr34.6m | Teleglobe net for rest of Allgemeine

By lan Rodger in Zurich

MR Klaus Jacobs, formerly head of the Jacobs Suchard coffee and chocolate group, has offered SFr34.6m (\$23.5m), or SFr300 a share, to the minority shareholders of Allgemeine Finanz, in a move to buy the remaining 48 per cent of the Zurich investment holding company. The price is much lower than what he paid last

March in acquiring just over 50 per cent of the company. Union Bank of Switzerland, which advised Mr Jacobs on the transaction, said the offer reflected the recent market price for the shares, which traded on Monday at SF1300.

URS also pointed out there was a put option, providing shareholders with the option of selling the shares for SFr390 after April 3, when the main offer expires, and up to June 30, 1994. It expected many shareholders would take this

Mr Jacobs bought a 50.1 per cent stake of Allgemeine from a subsidiary of UBS for SFr52.7m, or about SFr430 a share. At the time, the shares were trading at about SFr400.

# profit triples to C\$12m

shares is expected in August.

By Robert Gibbens

TELEGLOBE, the sole Canad ian overseas telecommunica-tions company, tripled net profit in the final quarter of 1991 on a 20 per cent gain in revenues. Management control of Telegiobe passed to BCE earlier this month in a board-

room fight. The strength came from the overseas telecommunications business. Teleglobe also operates subsidiaries in data communications equipment and

holders' rights in the event of Fourth-quarter net was C\$12m (US\$10.2m), or 26 cents income in 1991 had jumped to SFr13.4m from SFr2.8m in 1990. a share, up from C\$3.1m, or 8 cents, in the year-earlier quar-ter. Revenues were C\$129m, Total assets rose to SFr91.7m against C\$107m. Asset value per share jumped to SFr443 at the end of

For the full year, Teleglobe earned C\$25.7m, or 54 cents a share, up from C38m, or 20 cents, in 1990. cents, in 1990.

Peoples Credit Jewellers of Toronto, which controls the troubled US Zaie retailing group, posted a loss of C\$132.9m, or C\$10.92 a share, in the nine months ended 28 Peoples 1991.

The result included a special charge of C\$137m on its Zale investment. Zale has filed for

hankruptcy protection.

#### Visa expects traud losses to nearly double

By Alan Friedman in New York

of First Australia Prime Income Investment Company Limited (the VISA International, one of the two leading US credit card companies, yesterday said it was seeking new ways to detect card fraud as the level of worldwide losses from contratabilities appears from contratabilities appears from "Company") will be held at Equitor House, Tutakimoa Road, Rarotonga, Cook Islands on February 27, 1992, at 9.00 a.m. (local time) for the (1) To adopt a special resolution approving the amendment of Article counterfeiting appears likely to nearly double in the current (3) To ratify the appointment of Mr. L.P.C. Taylor of Price

fiscal year. Visa said yesterday it expected worldwide counter-feit losses to increase to more than \$100m in the financial year that ends this March 31; the level in the 1990-91 year

If the fraud losses continue to increase at the present rate, losses could exceed \$175m next

year, the company said.
To combat fraud, Visa said To combat fraud, Visa said it was developing an early-warning system that would analyse card-usage patterns on all daily transactions over a certain amount. This system, which Visa christened the "transaction analysis system", is intended to identify quickly brobable counterfoit probable counterfeit

used in heart surgery.
The acquisition will boost
Sorin Biomedica's turnover to slump in the European comover L700bn this year, from L444bn in 1991. It will lift the puter market. Olivetti said last week it contribution of the bio-engi-neering division to around 30 expected to post a consolidated 1991 loss of at least L290bn.

#### Watchdog again postpones Hyundai fundraising issues SOUTH Korea's Securities ment Last year, the govern-Supervisory Board (SSB) has ment instructed hig sharehold-

decided to postpone for the sixth time applications by two subsidiaries of Hyundai, one of the country's leading conglom-erates, to raise funds on the Seoul stock market, Reuter

reports from Seoul.

Hyundai Precision Industries and Hyundai Wood Industries have since July and August, respectively, sought approval to raise a total of Won68.7bn

(\$90m) through rights issues on the local stock market. The SSB said it delayed approval because the group had violated government advisory rules on financial manage-

ers not to sell large amounts of stock so as to help the ailing However, Mr Chung Ju-yung, founder and ex-honorary chairman of Hyundai, had sub-

sequently sold large stakes in the two companies, the SSB said. The companies would have to wait another month for an approval, it added. Stockbrokers said the news

sparked heavy selling of Hyun-dai's shares. A letter of appeal to the SSB also depressed investors, reflecting concern over a possible credit crunch for Hyundai.

#### Daily News credit approved

THE New York Daily News, part of the late Mr Robert Maxwell's crumbling empire, has secured approval from the US bankruptcy courts for a \$10m credit line to normalise operations while a buyer is sought, writes Patrick Harverson in New York.

The News and its numerous creditors reached a funding

PERFORMANCE INDEX .

NRI TOKYO BOND INDEX

agreement with Sterling National Bank & Trust, which earned from the deal the right earned from the deal the right to be the first of the newspa-pers' creditors to receive repay-ments. The deal is believed to have given the newspaper's reorganisation committee more room to put together a plan to rescue the struggling tabloid from bankruntes. creditors reached a funding

from bankruptcy.
The \$10m credit line allows the News some breathing space. It will now be able to pay some suppliers and con-tinue normal credit practices while considering offers from

potential buyers.

Among those to have expressed interest are Mr Peter Kalikow, the millionairs property developer who owns the New York Post, a rival tabloid. Mr Kalikow, who filed for personal bankruptcy last year, revealed last Thursday that he was preparing an offer for the

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Application has been made to the Stock Exchange for the Preference Stock to be admitted to the Official List in London and Dublin. It is expected that listing will become effective and dealings will

Listing Particulars dated 14th February, 1992 relating to Bank of Ireland will be included in the Companies Fiche Service available from Extel Financial Limited, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL from 15.00 hours on the 18th February, 1992 and may be obtained during normal business hours by collection only until and including 19th February, 1992 from the Company Announcements Office of the London Stock Exchange, Old Broad Street, London EC2N 1HD and until and including 2nd March, 1992 from:

Bank of Ireland, Lower Baggot Street, Dublin 2 Salomon Brothers International Limited, Victoria Piaza, 111 Buckingham Palace Road,

17th February, 1992

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S.G.Warburg Securities The Offers comprise in aggregate up to 995 million Package Units consisting of 995 million Zero Dividend Preference Shares of 1p

995 million Income Shares of 1p and 995 million Capital Shares of 1p

SHARE CAPITAL

The number of Shares being offered has deliberately been fixed at such a level as to minimise the possibility of having to scale down applications. Accordingly, the number of Shares being offered should not be assumed to be indicative of the number of Shares which will be allotted. Issued, and to be issued, fully paid\* No. of Shares million 995 000 995 9,950,000 9,950,000 9,950,000 9,950,000 Zero Dividend Preference Shares of 1p each income Shares of 1p each 9,950,000 9.950.000 29.850,000 29,650,000 on the basis that the Offers are fully subscrib

Listing Particulars relating to the Company and containing an epokcation form for Package Units available under the Offer for

London EC2A 4PB from \$,00 p.m. on 17th February, 1992. Copies of Listing Particulars will be available during normal hours on any weekday (Saturday and public holidays excepted) up to and including 27th March, 1992 from:— M&G Recovery Investment Trust P.L.C. Tree Quays Tower HIII London EC3R 880

Copies of the Listing Particulars are also available from certain regional branches of National Westminster Bank PLC, details of which can be obtained by telephoning M&G on 0245-345346 and for collection only from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capat Court Entrance, off Bartholomew Lane, London EC2, up to and including 19th February, 1992, Man Prospectuses will be available from 17th February, 1992 and copies can be reserved by telephoning M&G on the above number.

Applications in the Tender Offer must be submitted through eligible Bidding Participants, individuals who wish to participate in the Tender Offer should contact their personal financial adviser. If necessary, information on financial intermediaties who are Bidding Participants and are prepared to make bids on behalf of parties who are not their existing clients may be obtained by telephoning M&G on 0245-346346.

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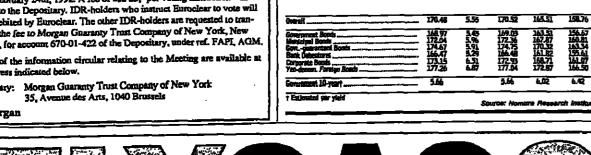
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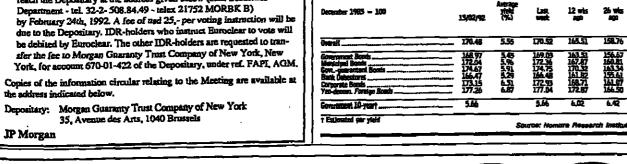
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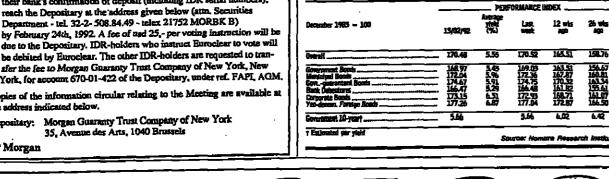
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#### INTERNATIONAL CAPITAL MARKETS

# Inflation outlook builds confidence Weak demand deflates yield hopes

GLOOM about the UK economy held up gilt prices, in spite of the shadow over the market caused by a large tranche of bond issues which attracted only modest investor

While prices at the short end of the gilt market rose slightly. with a consequent fall in yields, longer-dated gilts yields, longer-dated showed little movement.

The market gained cheer from a rash of economic data which indicated a continued fall in inflationary pressures, due to a recession which has dragged on for 18 months and is now expected to last until well into this year.

With inflation in virtually all areas of the UK economy likely to be be constrained over the next year or so, demand among investors for fixed-interest securities such as gilts remains

Hence few sellers of the bonds emerged last week, even though the availability from Monday of the £1.25bn tranche of 9 per cent Treasury stock due in 2012 damped any down-

UK gilts yields Restated at par (%) ₩Feb 7, 1992

9.1 0 10 years 20 Source : Warburg Securities ward movement in yields. By Friday night, buyers had emerged for only about half of the total tranche, according to gilt specialists.

Feb 14, 1992

The £1.25bn worth of gilts is part of a large volume of fund-ing which the Bank of England plans over the next 18 months. Because of the need to borrow from the financial market to pay for Britain's rising public-sector deficit, total gilt issues over this 18-month period

1991

fallen. Overseas investors, who

made considerable gains in

1991, decided the time had

come to take profits, and US-

dollar based investors in par-

ticular were keen to switch out

of Australian dollar assets

because of fears the Australian

currency would weaken from a

level of around 77 cents to the

The result was a sharp

sell-off in the Australian debt

market. The yield on the 10 per

cent bond due October 2002

1929 1920 177.14 177.177.18 177.177.18 177.177.18 177.177.18 177.177.18 177.18

US dollar.

| 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 | 0500 |

could total around £40bn.

On Friday, the benchmark 10 per cent Treasury stock maturing in 1994 closed at 1014, up just 4 on the week and yielding 9.46 per cent. The longer-dated 9 per cent bond due in 2008 saw its yield fall slightly to 9.15 per cent.

At the short end of the mar-ket, the tendency for yields to fall was restrained by the perception that Mr Norman Lamont, the chancellor, is unlikely to sanction a cut in base rates now 10.5 per cent, before the March 10 Budget. The Bank is advising caution

on this score, arguing that the vulnerability of sterling within the European exchange rate mechanism would make a rate cut risky. Mr Lamont, however, also has to weigh up political soundings which suggest that a rate cut well before the Budget could bolster confidence ahead of the election.

Last week's economic data painted a picture of extremely weak demand, increasing the pressure on Mr Lamont to stimulate the economy. There

was a large fall in factory-price and retail-price inflation, while the Confederation of British Industry reported that pay set-

tlements in manufacturing industry fell to their lowest level since it began collecting such data in 1980. Pay awards for the factory sector averaged only 4.1 per cent in the final quarter of last year, down on the 5.1 per cent recorded in the third quarter.

Meanwhile a 53,000 jump in seasonally-adjusted unemploy-ment last month - well above the expected figure - cast a question mark over last week's statement in the Bank's bulletin that the rise in unemploy-ment in this recession "seems to have moderated much more quickly than in the early

The jobless total of 130,000 in the three months to January is almost exactly the same as the jobless total at the equivalent period of the 1980-1981 recession, and the trend appears to

Peter Marsh

#### **US MONEY AND CREDIT**

THE US Treasury cannot win. The recent furore about the yield curve and government funding policy created enough hot air to fuel an around-theworld balloon trip, and the Treasury - sensitive to criticism from both Wall Street and congress - felt it could not gnore the issue.

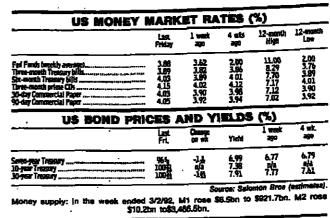
The big question was whether the government should take advantage of an unusually steep yield curve by issuing less longer-dated securities and more short-dated

Some even went so far as to recommend that the Treasury should stop issuing new 30-year bonds altogether. The idea behind the various

wheezes was to shorten the maturity on the national debt, which, because of the historically large spread between short and long-term interest rates, would cut funding costs for the taxpayer and force stub-bornly high long-term yields

After thinking it over, the Treasury eventually decided to act. It said it would begin to issue less 10-year notes and 30year bonds, and make up for the reduction by issuing more at the short end of the market. The reduction, however, would be by only a few billion dollars each refunding round.
In the case of the first quar-

terly refunding programme of the year, completed last week, the reduction meant issuing \$1bn less 10-year notes (\$11bn instead of \$12bn), \$2bn less 30year bonds (\$10bn instead of \$12bn), and correspondingly more three-year notes.



This feeble compromise pleased few. Those in favour of more radical change said it would have no effect. Those against change said not only would it have no effect, but it would introduce an element of unwanted uncertainty to financial markets.

The Treasury also left itself

open to criticism that it was playing an interest rate speculation game with the national debt. Yet the changes were so insignificant that people wondered whether it was worth all the fuss.

That the bond markets subsequently made a complete mess of the Treasury's carefully laid plans, seemed to be a

measure of justice.

Last week the Treasury issued \$36bn of new securities. If the shift in weighting from the long to the short end of the maturity spectrum was meant to reduce the cost of financing the national debt cheaper, and

put downward pressure on long-term rates, it failed miserably. Investor demand for all three issues was poor. This meant the Treasury had to pay a higher-than-expected interest rate on the money it borrowed, and it left interest rates higher at the end of the week. The yield on the 10-year

bond jumped from 7.25 per cent

to 7.38 per cent, and the yield on the benchmark 30-year bond (the main target of the Treasury's new, shorter-dated refunding policy) climbed from 7.76 per cent to 7.905 per cent. Of course, it was not the fault of the Treasury that its ambitions were thwarted. It was simply bad luck that the new policy was introduced in a when the best economic

news for a long time was It was not only good eco-nomic news, it was the right kind of good news. Economists

have been arguing for months

FT/ISMA INTERNATIONAL BOND SERVICE

that the economic recovery would not get off the ground until consumers start spending, and last week they got evidence of just that.

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According to the data, January retail sales rose 0.6 per cent, well above market fore. casts, while both November and December sales were up slightly, not lower as originally reported. Early February car sales also came in above consensus expectations. Just to complete the picture, initial jobless claims showed the sec-ond straight weekly decline in the number of people asking for state unemployment insur-

Together, the data hardly added up to much, but it was enough to put the wind up bond investors already unnerved by some unexpect ediy positive noises emanating from the Federal Reserve. Statements from Mr Alan

Greenspan, chairman of the Federal Reserve, indicated that the monetary authorities believe current monetary policy is sufficiently loose to allow room for a solid, if unspectacular, recovery by the second half

of this year. Although Mr Greenspan says he is ready to ease monetary policy again if necessary, the Fed chairman appears satisfied that the December one-point reduction in the discount rate

will prove enough.

Judging by the direction of bond yields, the market is betting that the next time the Fed acts, it will put rates up, not

Patrick Harverson

Closing prices on February 14

#### **AUSTRALIAN BONDS** Government spending plans raise concern

ment has become preoccupied with its forthcoming economic statement, due on February 26. Most expect a fiscal stimulus from Mr Charles Keating's Labour government; the exact details will determine the market's direction in the coming

The government is under considerable pressure to reduce unemployment and stimulate the recession-hit economy - especially with an election due by the middle of

Dealers and investors are waiting to see whether the government will announce a spending package, whether these measures will be inflationary, and if further interest rate cuts are on the Australia was one of the top-

performing government bond markets in 1991, helped by steadily falling interest rates. At the beginning of 1992, the overnight market rate was 7.5 per cent, compared with 12 per cent a year earlier.

However, since the beginning of 1992, bond prices have

price 5/49/h 17 08 17.10 20.65 20.65

| 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 |

rose from 9.3 per cent on Janu-Australia ary 7 to 10.3 per cent by January 31. The Australian dollar had dipped below 74 cents to the US dollar, although it sub-Benchmark bond yield (%) sequently recovered and at the end of last week it was quoted

at around 75.4 cents. The economic statement is expected to include measures aimed at reducing unemploy-ment, which rose to a post-war high of 10.6 per cent of the workforce in December 1991.

Although the unemployment figures for January (released last week) were much better than expected, analysts warn that January figures are not always a reliable guide and should be treated with some caution.

The seasonally adjusted unemployment rate fell to 10.3 per cent and employment rose by 46,900 in January, whereas economists had expected unemployment to unchanged or even slightly higher, while employment was rpected to rise.

Bond yields rose on the news as hopes of an easing in mone-Mr Ralph Willis, finance

minister, tried to reassure the financial markets last Friday that the government remained committed to keeping inflation relatively low, even if it boosts

But the concern in the mar ket is that a substantial increase in spending would force the government to bor-row heavily in the bond market and that the resulting new supply would push bond prices

At the tender of government stock on February 11, a total of A\$800m was sold, consisting of A\$400m of the March 1994 bond and A\$400m of the October 2002 bond. The amount sold was slightly lower than expected,

going to be an additional ten-der in May.

The yield on the two-year paper - which was sold at an average of 8.119 per cent at tender - is now 8.28 per cent, while for the 10-year bond, the yield has risen from 10,085 per cent at the tender to 10.17 per cent on Friday.

although there is probably

Sara Webb

### Consultancy **Services** Required

improve performance of the telecom required to enhance efficiency of the economy and to attain sustainable growth, based on more efficient, reliable and expanded telephone network. To achieve this objective the Government is initiating a farreaching sector reform programme ranging from incremental enterprise improvement to privatization and sector liberization. The Government has announced its intention to privatize Pakistan Telecommunication Corporation (PTC) and has received expressions of interest from several

The Government has also determined, as a prelude to the liberalization of the sector and the PTC privalization, that an elaborately designed privatization strategy is critically needed. Privatization of netural monopoly industry such as belecommunications, require substantial sector policy work and preparation for sector regulation and industry structure. With this objective the Government wishes to prepare fair, transparent and credible ground rules. Based on the above outlined approach towards privatization and liberalization the Community and Co and liberalization, the Government wishes to appoint a

consultant for: (i) regulatory development and implementation work; and
(ii) privatization transaction advisory work: A firm offering its services for this purpose, can associate with other firm or firms. Interested firms are advised to contact the undersigned for despatch of letter of invitation and Terms of Peterence for the consultancy as well as other related documents which will be fased to

Prior experience, particularly in privatization of telecommunication systems is essential.

Last date for receipt of complete bids is Merch 6, 1992 Muhammad Sher Khan

Additional Secretary Ministry of Communications, ent of Pakistan, Islamabad - Pakistan Tel: 214059 Fax: 828724 Telex: 5713 MNCOM PK

The Royal Bank
of Scotlant Group; Take



in accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 13th February 1992 to 13th May 1992, the Notes will bear a Rate of Interest of 10.5% per annum. The amount of interest payable on 13th May 1992 will be £129.10 per £5,000 Note and £1,290.98 per £50,000 Note.

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US \$250,000,000 Floating Rate Notes Holders of Floating Rate Limited Notes of the above issue are hereby notified that for the Interest Period from 19th US\$ 250,000.000 February, 1992 to 19th August, 1992 the following 1. Rate of Interest: 5.25%

Interest Amount payable USS 265.42 per USS 10,000.00 nominal or USS 6,635.42 per US\$ 250,000.00 nominal Interest Payment Date: 19th August, 1992

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due 1997

ation is relevant:

per annum

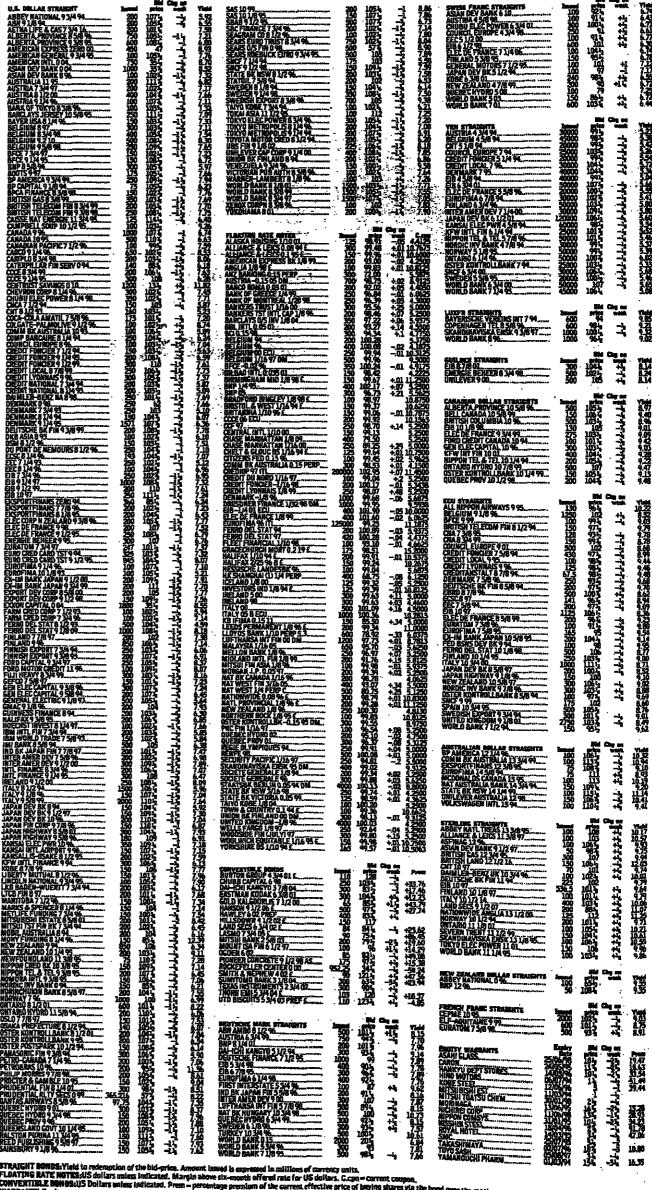
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National & Provincial Building Society Issue of up to £200,000,000 Floating Rate Notes 1999 Notice is hereby given that for the three months 13th February, 1992 to 13th May, 1992 the Notes will carry an interest rate of 10%% per annum with a coupon amount of £259.73 per £10,000 Nore and £2,597.34 per £100,000 Nore payable on 13th

May, 1992.

entet (Bermuda) ing Rate Notes due Trade Bank Ltd

Notice is hereby given that as at the valuation date 14th February 1982, the valuation date 14th February 1982, the value of the zero-coupon obligations or certification representing the series in obligations of the United States in obligations of the United State of Arberica was uSSE2,588,570.00 and the value of the Company's reserve tund was USSE3,122.34. The aggregate value of the Noteholders security was true of the Noteholders security was true SE.08 per cert of the principal amount of the Noteholders and intermation of the Noteholders and intermation of the Noteholders and shall not be blacking for any purpose on the Thates or the Reserve Fund Reporting Agent nor shall be blacking as recommendation on the period the Company, the Valuation Agent, the Guerantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell arhold investments, similar to the zero-hold investments similar to the zero-hold investments.



#### INTERNATIONAL CAPITAL MARKETS

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# Potential offered by social housing shift

owned by local government authorities in the UK to housing associations over the next decade could be bigger than any of the high-profile indus-trial privatisations of the 1980s

- and it would be financed entirely in the loans market. Tunbridge Wells & District Housing Association recently signed a £105m funding package, comprising a syndicated bank facility provided by National Westminster Bank and the Halifax Building Society and additional funding ety, and additional funding from Bank of Scotland and the

Nationwide Building Society
Co-ordinated by UBS Phillips
& Drew, the deal brings the number of block transfers of housing from local authority control to 17. The amount raised from banks now stands at £1.1bn.

But this is only a small proportion of the potential mar-ket. If the Conservatives win the next election, between 150 and 250 councils may sell their council houses to housing associations. The associations would need to raise around £2bn debt finance every year.
Lending margins in this area
are healthy. The core 25-year
term loan for Tunbridge Wells

carries a margin of 130 basis points over the London inter-bank offered rate. Also, the loans are secured on residential property bought at a discount to open market value. The average price in Tunbridge Wells was £10,000 per property, a fraction of the open market price. This contrasts with 95 per cent mort-gage loans made to individuals.

Also, the loans carry a 50 per cent risk weighting, which means banks have to set aside

THE TRANSFER of houses only half the capital needed for

bridge Wells deal are the only regular providers of large-scale primary funding. Other banks participate in the syndicated loans, but the number of big, primary lenders is limited.

associations require complex, long-term finance. For example, a housing association's rental income is low in the early years after transfer and maintenance costs can be high.
The Tunbridge Wells transaction comprises a 25-year
£55m term loan backed by
shorter-dated revolving credit facilities. These cover the shortfall between rental

One problem is that housing

shortfall between rental income and interest payments in the early years. The debt will roll up to a maximum of £105m after 15 years, only then starting to decline.

An additional problem is that building societies cannot syndicate their loan commitments.

To satisfy British law, build-To satisfy British law, build-ing societies require separate security and are bound to the deal by a web of floating and second charges over the hous-ing stock as a whole. There are substantial legal expenses involved in setting up such a

structure.
The Building Societies Commission, the regulator, may loosen these restrictions and encourage more societies to participate in transfer deals. But existing lenders and associations agree that more bank lenders are needed if the "privatisation" of social housing in the UK is to proceed.

Simon London

		ary Market		lery Market
	US 5	Non-S	US \$	Non-1
Fixed income bonds				
Euros straight	1,358.1	4,679.1	20,168,3	49,839.0
Other straight Convertible	0.0 0.0	7,084.ê 57.4	341.9 1.089.9	110,251.9 1,768.5
	0.0	37.7	1,000.9	1,700.0
Money market instr	271.5	310.4	5,254.0	3,467,2
CD's	48.8	26.2	1,194.2	508.7
Short \$ MT Notes	11,489,1	8,278,2	7.511.9	15,758.0
Warrents	0.0	0.9	853.2	320.9
Equities.	46.8	0.0	193.7	1,221.8
Total	13,214.3	20,437.0	36,607.1	183.134.1
	Cedel	Eurocless	Total	
USŠ	17.852.2	31.959.2	49.821.4	
Other	74,608.9	128.962.2	203,571,1	

INTERNATIONAL BONDS

# Euromarket challenged by regulatory convergence

THE development of international regulations for the securities industry is forcing Eurobond market participants to ask a searching question of themselves; what exactly defines the international bond

market? The most challenging piece of legislation hanging over the market is the draft European Community investment services directive, which lays down rules for the conduct of investment business.

As currently drafted, the directive would force securities trading to take place on "regu-lated markets". The Eurobond market would not count as a regulated market - primarily because it has no formal listing and no trade publication

requirements.

It is unlikely that the current text of the directive will be adopted. However, the debate has underlined that many of the structural differences between the domestic and international bond markets have already disappeared:

Withholding tax has been removed in nearly all leading

• A more homogeneous clearindustrialised countries. Where

it remains, mechanisms for ture" has developed as institu-international investors to tional investors have spread reclaim tax have improved. Even in Italy, infamous for complex administrative proce-dures, international investors have at least an even chance of reclaiming withholding tax paid on domestic bonds. The international market is slowly opening to a greater spread of investors as regula-

tions limiting the foreign asset holdings of institutional investors have been relaxed. For example, until 1990 Canadian pension funds were limited to holding 10 per cent of their assets overseas and were penalised by a heavy tex penalty if the limit was exceeded. The ceiling on for-eign assets is now 20 per cent,

eign assets is now 20 per cent, leading them to diversify away from the domestic market. Similarly, while some catego-ries of US investors are still prohibited from participating in the primary Eurobond mar-ket, all can now buy interna-tional bonds 40 days after pay-ment data. — reduced from 90 ment date - reduced from 90 days in the late 1980s.

investments across markets. Both Euroclear and Cedel, the clearing houses which used to be almost exclusively devoted to the international bond market, each now clear and settle transactions with 20

domestic bond markets.
Partly as a result of these changes, the Eurobond market is less dominated by retail investors than in the past. One sign of this is the spate of bonds with maturities of more than 10 years launched this year - such as Crédit Foncier's Ecu750m 12-year issue last week - aimed mainly at institutional fund managers

with long-dated liabilities.

The development of the offshore Ecu bond market can
take some of the credit for tempting conservative invest-ment institutions out of domestic markets. The Ecu bond market has been transformed from a sector based on small corporate bond issues and retail investors to one domi-nated by governments, supra-national agencies and big investment institutions.

● The launch of "global" bond issues - deals sold under the same documentation and under the same pricing in European, US and Far Eastern markets – has accelerated the process of integration.

Since the World Bank Launched its first \$1.5bn global issue in September 1989, the structure has been extended into other currency sectors. Last year saw global issues in Canadian and Australian dol-lars. The World Bank is now preparing a global issue in yea.
Such deals underline the
extent to which debt securities can now be traded between

markets.
One sign of convergence is the narrowing of pricing differ-entials between the Eurobond and domestic markets. Where there are no barriers to the free flow of funds, anomalies tend to be arbitraged away by investors dealing between mar-kets. At the start of the 1980s top-rated Eurodollar bonds could yield 70-80 basis points less than US domestic issues. Now the differential is much narrower, rarely more than 40

basis points.

**NEW INTERNATIONAL BOND ISSUES** 

Different constituencies of ket is often a cheaper source of funds for corporate issuers,

launched a five-year domestic bond issue at a yield spread of 26 basis points over US Treasury bonds. In the Eurobond market the same deal would probably have been priced at a spread of 45 basis points.

Yet supranational institu-tions often achieve a better cost of funds by issuing Euro-bonds. But while some anomalies remain, the cost-of-funds gap between the Eurobond market and domestic markets has certainly narrowed from a

horrowers' perspective.

New syndication techniques and standardised fee structures introduced into the Eurobond market over the past two years have eroded any advantage it held over the US market in terms of underwriting costs. While underwriting fees in the US are variable, there is rarely more than a fractional difference between the two markets

investor still have different tastes. The domestic US mar-Eurobond issues - whereby the lead underwriting firm can hold the bonds at issue price especially US companies.

For example, Mobil, the US
oil company, last week until it is satisfied that most of
the paper is placed - is now
accepted in most currency secmarket. This is close to US new

issue techniques. The technique is now reaching Japan. Last year Nippon Telegraph and Telephone announced its intention to launch a domestic bond issue based on the fixed-priced

It remains an open question whether the Eurobond market can keep its share of global investment business or whether investors will retreat to deregulated domestic mar-

kets. So far, the international bond market appears to be gaining as much as it loses. However, the process of regula-tory convergence means the Eurobond market will have to convince the regulators that it still has a role to fill.

Simon London

1 <del></del>															
Borrowers	Amount m.	Maturity	Av. lite years	Coupon	Price	Book runner	Offer yield	Borrowers	Amount m.	Maturity	Av life years	Coupon	Price	Book runner	Offer yield
US DOLLARS								Deutsche Finance BVf	500	1996	4	814	102	Deutsche Bank	7 651
Hosokawa Micron Corp(m)+t	100	1996	4	31g	100	Nikko Europe	3.125	Dresdner Finance BV1	500	1998	6	8	101 70	Dresdner Bank	7.636
DSL Bankt	200	1996 1996	4	612	101.425	Nomura Int.	6.088	Kakiyasu Hunten⊀⊀† Euro.Coal & Steel★★†	15 100	1997 2002	5	81 <sub>2</sub> 734	101.60 100.35	IBJ AG Deutsche Bank	8 096 7 698
Sumitomo Heavy Ind.	170	1996	4	3	100	Daiwa Europe	3.000	Euro.Coal & Steet**	75	1999	7	711	1014	Deutsche Girozentrale	7 359 7 359
Alisa No.3(d)##	210	1997 1997	5	(c) 8	100 100	Nomura Int.	0 100		,,	1005	•	. 16	101.4	Dealsole Gilozeimais	1 333
Alisa No.3(d)† Credit National(e)	52.5 60	2000	2 R	zero	100	Nomura int. Paribas Capital Mikts.	8,160	SWISS FRANCS						_	
Tokai Bk Nederland(i)#	100	2002	10	2810 (i)	101 %	Salomon Bros.	-	Tesac Corp(a)★★◆↑	60	1996		4	100	Crodit Suisse	4 000
Fuji Bk (Luxembourg)(i)‡†	100 50 40	2002 2002 1995	10	(i) (j) 10	102	Fuli Int.Finance	-	City of Helsinkit	150	2004		65 <sub>8</sub> 71 <sub>8</sub>	10134	UBS	6.412
Sambra Int.Finance(o)†	40	1995	3	10	95,772	Merrill Lynch	-	Swedmortgage Bank(b)†	150	2002	-	718	101	Credit Suisse	6.983
Bco.Frances e Brasileiro(q)†	90	1994	2	11	100	Credit Lyonnals	11.303	DCOCT 4.0							
STERLING		-						PESETAS							
31 Group(p)#†	125	1997	5	(p)	99.61	SG Warburg Secs.	<del></del>	Eurofima(k)f	15bn	1997	5	10 <sup>1</sup> 2	101 /4	Bco.Central HisAmer.	10 168
			•	197	00.01	oo naaang acas.									
ECUs		<u> </u>				<del></del>		SWEDISH KRONOR							
SBAB†	300	1997	5	8 % 8 % 8 %	101.325		8.291 8.332	Eurofimat	500	1997	5	101/4	10112	Dresdner Bank	9.954
Eksportinanst Comm.Consortium Eutelsatt	250 200	1996 1997	4	84 85	101¾ 101.475		8.253	Laioanaj	-		•		.08	DISSUROI EXILIA	0.00
Credit Foncier d'France(n)†	750	2004	12	87	100.35	Paribas Capital Mkts.	8.326	LIRE							
• •	150	200-	14	0-8	100.00	i wiong outries inves-		Deutsche Bk Financet	200bn	1999	7	31 <sup>1</sup> g	101.20	Bca d'Amer.o d'Italia	10 871
CANADIAN DOLLARS												-			
KFW Int.Finance†	250	1997	5	83 <u>.</u> 81 <sub>2</sub>	101.425		8.018								
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AUSTRALIAN DOLLARS						44	40.724		1៦ก	1996	4	0	102.10	BCEE	8.353
Vic.Public Fin.Auth.†	100 100	2002 2002	10	11	101.586	Merrill Lynch Hambros Bank	10.733 10.756	Credito Romagnolo##1 Bque.Worms(h)†	900	2002	10	872	102.15	BCEE	8.547
St.Bk of Sth.Australia†	100	2002	10	11	101.45	DANIOTOS BANK	10.730	Bacob Overseas(h)†	400	1997	5	878	101%	Bacob (Luxembourg)	8.400
										-25.	•	- 0			2
NEW ZEALAND DOLLARS								**Private placement. §Convertible	nupe driWe equit	y warrants. S	Floating rate	noles. <b>•</b> Vart	n etar elda	ote (Final terms a) Exercise (	a berit mulmen
Telecom of NZ Financet	50	2000	8	91 <sub>2</sub>	101.40	Hambros Bank	9.245	2.5%. Cattable 20/2/94 at 101% at barker by US Advantable Sate Mo	nd 20/2/95 at 1 sylmacon, lettur	100 (2 transfer	ibordinaled i	ssue, Non-cal are Participal	lable c) Co Boods	oupon pays 110bp over 6-mont Coupon payable semi-annually	h Libor d) lesue / a) Redemption
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D-MARKS								fixed at 2.54%. Non-callable. h) :	Subordinated (	ssue. Non-ca vs. Sábo over	liable I) Coα β-month 1-ba	upon says 60) or for line: 3 v	op over 6-1 sams, then t	nonth Libor for first 3 years, t fired at 9½% thereather. Callat	Hen Hixed at 1944 He 3/4/96 at 1997
Daiwa Danchi(i)+†	150	1996	4	4 <sup>1</sup> 2	100	WestLB	4.500	thereatier, Catable 27/3/95 at par k) Matador Issue. Non-callable. I)	Exercise pren	nium lured at	2 58% Non-	ellable m) É	xercise pre	mium fixed at 2.5% Non-called	ale n) Members
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Kimisawa(f)#f	50	1996	4	41/2	100	Daiws Europe GmbH	4.500	Coupon payable semi-annually. N	Non-callable N	ote. Yields &	re calculated	on ISMA ba	B/9		
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# Leaders in Spanish Domestic and Cross-Border Corporate Advice









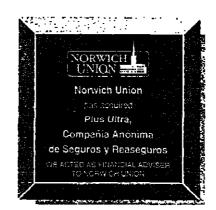












S.G.WARBURG & CO. LTD.

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Notice of Redemption to the holders of

# **International Standard Electric Corporation**

12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1984 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, that \$13,740,000.00 principal amount has been selected by the Trustee for Redemption on 15th March, 1992 and payable on 16th March, 1992 at the principal amount thereof in accordance with the Sinking Fund provided for in Section 3.06 of the Indenture.

The following are the serial numbers of the Bonds which will be redeemed in whole:

(Continued on the following page

W. C. L. C. F. L. C. F. C. L. C. L.

**UK GDP** output

Non Italy

21

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Accordingly, on 15th March, 1992 the Bonds so designated for redemption will become due, and payable on 16th March, 1992. Payment will be made upon presentation and surrender thereof of the above Bonds at one hundred per cent (100%) of the principal amount thereof in United States Pollars, at the option of the holder, subject to any applicable laws or regulations in the country where each of the following offices are located, at the City Offices of Bankers Trust Company in London, at the main office of Bankers Trust Company in Paris, at the office of Bankers Trust GmbH in Frankfurt, at the office of Banque Indosuez Belgique Brussels (formerly Banque du Benelux S.A. Brussels), at the office of Banque Générale du Luxembourg S.A. in Luxembourg or at the office of Swiss Bank Corporation Basle.

The redeemed Bonds should be presented with all Coupons maturing after 15th March, 1993 Coupons maturing on 15th March, 1992 and prior thereto should be detached and surrendered for payment in the usual manner. From and after 15th March, 1992 interest on redeemed Bonds will cease to accrue.

International Standard Electric Corporation

By Bankers Trust Company, Trustee. 31st January, 1992

#### **ECONOMICS**

# UK data set to confirm depth of recession

FINANCIAL markets in the UK will focus on Thursday's fourth quarter GDP figures, which are expected to show non-oil out-put falling for a sixth succes-

sive quarter. This would make the recession the longest since the sec-

ond world war.

Little cheer is expected from January's retail sales figures, which are expected to show only a slight rise despite heavier than usual discounting in the post-Christmas sales. With the economy showing few signs of recovery, the Confederation of British Industry's industrial trends survey on Fri-

signs of improved manufactur-ing confidence. Highlights of the week ahead, with the median of City forecasts in brackets, from MMS International, a financial information company, include: Today: US, President's Day hol-

day will be studied closely for

% change over previous quarter 1.0 0.5 0.5 0.5 1988 89 90 Dulastrear

iday, all markets closed; UK, January CBI distributive trades survey; Japan, revised figures for December's industrial production; Canada, December wage settlement increases; Finland, consumer price index.

Source: Datastream

Tomorrow: UK, January PSBR (£3.7bn surplus); US, New Hampshire presidential primary; France, December indus-trial production (down 0.4 per cent); Germany, December trade balance (DM3bn), December current account (DMlbn). Wednesday: UK, January retail sales (up 0.2 per cent on month, up 0.8 per cent on year), chancellor Norman Lamont appears before Treasury select committee; US, January consumer price index (up 0.2 per cent), excluding food and energy (up 0.3 per cent), January housing starts (1.13m), January building permits, January real earnings, Federal Reserve chairman Alan Greenspan gives Humphrey-Hawkins testimony to House Banking Com-

mittee.
Thursday: UK, preliminary figures for fourth quarter GDP (flat), January M0 (flat on the month, up 2.4 per cent on the

year). January M4 (up 0.5 per cent on month, up 6.2 per cent on year), January M4 Bank lending (£20n); US, December merchandise trade balance (-\$4.9bn), December merchan-dise exports (\$36.7bn) and imports (\$41.6bn), for week ended February 10 M1 (\$3.7bn), M2 (\$1.3bn), and M3 (\$2bn), initial claims for week ended February 8 (440,000); Canada. December merchandise trade balance, December merchandise exports and imports; Germany, regular Bundesbank council meeting; Japan, January money supply (up 2 per cent on year); Sweden, January consumer price index (down 0.3

per cent on month, up 5.3 per

cent on year).
Friday: UK, February CBI industrial trends survey; Germany, IG Metall manufacturing/engineering union sets wage demands for engineering industry in Baden-Wuerttem-

burg; Canada, January con sumer price index and CPI excluding food and energy; Australia, housing finance for December (up 2 per cent), December export price

During the week: Germany. January wholesale price index, December capital account, long term capital account. January producer prices index (up 0.2 per cent on month, up 1.9 per cent on year), final figures for January cost of living (up 4 per cent on year); Italy, December wholesale price index (down 0.3 per cent on month, up 2.4 per cent on year). December producer prices index, January industrial production; Denmark, January consumer prices index (up 0.1 per cent on month, up 2.4 per cent on year); Switzerland, January trade balance (-SFr425m).

**Emma Tucker** 

#### RESULTS DUE

BRITISH Aerospace will report on Wednesday its preliminary results for the year to December 1991, which the City expects will show a pre-tax loss of about £85m against a pre-tax profit of £376m a year earlier. The loss will include heavy exceptional costs to cover the defence, commercial aircraft, motor vehicles and property group's restructuring pro-

The company said at the time of its flopped £432m rights issue last autumn that it expec-ted pre-tax profits before excep-

tional items of at least £150m. The exceptional items which will lead to an overall loss include a charge of about £250m to cover rationalisation costs, a £45m extraordinary charge to cover the withdrawal of its Rover car subsidiary from the US last year, and a gain of £15m on the sale of the company's shareholding in SD-Scicon.

The company is expected to maintain its final dividend. Dalgety kicks off the reporting season in food manufactur-ing today. The sector's results

will be scrutinised particularly closely this time for signs of how far weaker demand and price-cutting at retail level are being passed on to suppliers.

Extensive rationalisation and cost-cutting in the past two years have done much to improve Dalgety's competitive position. However, this week's interim figures are expected to show only a modest increase. Analysts are looking to between £52m and £55m at the pre-tax level, compared with

Glaxo's interim results on megadrugs. BZW is forecasting

a top-of-the-range £730m pre-tax profit for the first half, Thursday will also be watched closely. They are the first to include sales of several new against 1617m last year. Smith New Court is among the lowest drugs that will determine whether the company's pheforecasts, at £680m. nomenal growth during the

Owners Abroad, the UK's second largest package holiday company, is expected to report on Wednesday full-year pre-tax profits of £30m, compared with £15.3m in 1990. Of particular 1960s is to continue.
The potential blockbusters are Zofran, to control sickness during cancer chemotherapy, and Imigran, a migraine drug. If first half sales of Imigran are interest will be any statement on the current year's trading and whether February book-ings for the summer are mainclose to the £50m predicted by BZW, it will be on the way to becoming one of the world's handful of £1bn-a-year taining January's high

#### **UK COMPANIES**

COMPANY MEETINGS: Thornton (G W) Hidge., Bridge House, Bridge Street, Sheftleid, 10.00 BOARD MEETINGS: Figals: Union Discount

Group Second Alliance Trust
In Group
Second Alliance Trust
In TOMORROW
COMPANY MEETINGS:
Daily Mail & General Trust, Royal Garden Hotel,
Kensington High Street, W., 10.30
Hardys & Hansons, Klimberiery Brewery,
Nottingham, 11.30
LPA Inds., Salfron Hotel, High Street, Saffron
Walden, Essex, 12.00
Stakis, Stakis Normandy Hotel, Inchinnan Road,
Renfrew, 12.00
Titos Highs, International House, Peartree
Road, Stanway, Colchester, Essex, 10.00
BOARD MEETINGS:
Rinals:

Finals: Scottish Eastern Inv. Tst. TR Pacific Inv. Trust

Temple Sar Inv. Trust Interims: Ashtead Howard Hidgs. NOTES:
WEDNESDAY FEBRUARY 19
COMPANY MEETINGS:

COMPANY MEETINGS:
Abbey Panels Invs., Sheraton Skyline Hotel,
Bath Road, Hayes, Middlesex, 12.00
Acatoe & Hutcheson, Brands Hatch Thistle Hotel,
Brands Hatch, Dartford, Kent, 11.15
Group Development Capital Trust, 125 High
Holborn, W.C., 12.00
Sage, Sage House, Benton Park Road,
Newcastle upon Tyne, 9.30
Turkey Trust, The Sharaton Belgravia, 20
Chesham Place, S.W., 12.30
Widney, Plume St, Aston, Birmingham, 11.00
BOARD MEETINGS:
Flasts:

Finals: British Aerospace

Fleming High Income Inv. Jos Hidgs. New Zealand Inv. Trust MTHURSDAY FEBRUARY 20 tryside Properties, The Brewery, Chiswell

Countryside Properties, The Brewery, Chisw Street, E.C., 12.00
Neotronics Technology, Pearse House, Parsonage Lane, Bishops Stortford, Hertifortishire, 10.30
Selective Assets Trust, 1 Charlotte Square, Edinburgh, 12.30
BOARD MEETINGS:
Floate:
Bensons Crisps
Foreign & Colonial Enterprise Trust
Provident Financial
Shell Transport & Trading
Tribune Inv. Trust
Ward Hidgs.
Yorkshire Chemicals
Interima:

Colorgen E) Oro Mining & Expin.

Fleming Enterprise Inv

SEFRIDAY FEBRUARY 21 COMPANY MEETINGS:
Bankers Inv. Trust,
Mermaid House, 2 Puddle Dock, E.G., 12:30
Grainger Trust, Chaucer Buildings, 57 Grainger
Street, Newcastle upon Tyno, 12:30
Hunterprint, 15 Saxon Way East, Oakley Hay
Indl. Park, Corby, 2:00
Southern Business, Queens House, Ullswater
Crescent, Couladon, 11:00
BOARD MEETINGS:
Finals:

Finals: Brooke Tool Eng. Fairway (London) Lloyds Bank interims: BBB Design da Morgan ■ SUNDAY FEBRUARY 23

COMPANY MEETINGS: NFC, The Harrogate Conference Centre, Kings Road, 11.00 Company meetings are AGMs unless otherwise states.

#### **DIVIDEND & INTEREST PAYMENTS**

Amdahi 2.5cts. Anglan Water 6.3p Britannia Sidg. Sec. Filg. Rate No. 1995 C270 84

Rate Nas. 1995 1270 64
Druck 3.49
Elger Inw. Tet. 3.2p
Elge 0 6p
National Westminster Bank Und.
Var. Rate Nas. 1268 12
North West Water 6.54p
Telefonize de Espana Pla25
Westland 2.75p
St TOMORROW
Airtours 5.25p
And 40cts.
Archimades Inv. Tst. 14.5p
Chase Manhattan Fitg. Rate Sub.
Nis. 2000 5138.89
Credit Fonder de France 10½ % Gid. Ser. Ln. 2011/
12/T3/14 (Req.) 5.25pc.
Hash Sec. Fitg. Rate Nas. 1993 51352.05
Flogus 2.94p

Miss. 2001 C137.13 Tressury 8 & 1983 4.125gc. Wells Fargo Fitz, Rate Sub Cap. Nts. 1988 \$138 54 woodwich Blog, Soc. Fig. 1 Nts. May 1994 €287.08 ■ WEDNERDAY FEBRUAR? BP Capital BY 14 1/2 % Gtd. Nts. 1982 7,0825pc. Haddeigh Inds. 1.25p Hashor Sotis. Homestake Mining Sots. LPA Inds. 1.87o Homestuke Mining Scts.
LPA Inds. 1.87p
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BTHSRSAY FEBRUARY 20
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Fits, Rase Sats. Nis. 1988 \$134.17
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Cap. Debs. 2085 \$308.07
Calerpillar 16cts.
Hongisong & Shanghal Banking Prim, Cap. Und. Fitg.
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Allied Colloids 0 859
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Northern Foota 6 850
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Northern Facts Of Teeds 0.759
Oil & Natural Gas Commission Grd.
Fitig. Rate Nts. 1997 SX6 67

Power Corp. 2p Sea Containers 17 5cts Security Pacific Fits Rate Sub. Cap Nts. 1997 5128 82 Smith New Court 1p
Stanley Leleure 1.5p
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#### PARLIAMENTARY DIARY

Commona: Debale on the European Economic Area Agreement between the EC and European Free Trade Association. Timetable motion on Local Government Bill. Debale on agreements between the EC and Poland, hungary and Czechoslovakie.

Leada: Local Government Finance Bill.

Report. Community Care (Residential Accommodation) Bill. Second Residing.

Select Committee: Social Security - subject. operation of persion funds. Witness: Tony Newton MP, social security secretary (Room 15, A Short).

Colombons: Opposition (receip in the re-co-sion and unemployment.

Lords: Debate on research and development and the National Health Service Debate on the public library system. Question to gov-amment on children's homes and atter-care.

10.30sm)
Apriculture — subject, the trade pap in food and drink, Withsease Food and Drink-Federation, Scotch Whilely Association, Home Grown Fruits (Room 2, 10 45ard, Energy — subject, electricity privatession, Witness: Malcain Edwards, Strillen Coat (Room 8, 13ar)
Employment — subject, Skills Training Jennick and Miller Committee (Room 8, 13ard)

Commenc: Remaining stages of the Transport and Works Bill, and the Nursee, Mig-wives and Heakth Visitors Bill Lerde: Local Government Finance Bill, Report Tourism (Overseas Promotion) (Wates) Bill Belect Committee: Trade and Industry – subject, exports to frag Witnesses, Sherikeld Forgamasters (Room 15, 4 30pm).
Opposed Private Bill Morsey Docks and Harbour Bill (Room 5, 10,30em).

#### **APPOINTMENTS**

#### Combating the black mark



Laurentian Life, the life ssurance group, has promoted

This is one of the last moves in a wide-scale restructuring of Laurentian's operations into four units; the others are Laurentian Milldon, a firm of tied agents, Laurentian Fund Management, and Laurentian Financial Advisers.

Iain Tweeddale to managing

Tweeddale, 45, joined the company in 1979, when it was known as Imperial Life, on the investment side. Before this he was a stockbroker, spending nine years with McAnally Montgomery; he was also in banking briefly immediately after graduating from Oxford. Tweeddale considers his

main task is to make Lauren-tian's business more consumerled: "We have got to improve our position in the eyes of our clients. Otherwise we are not going to be one of the players at the end of the decade." He is also aiming to take a much more multidisciplinary

approach to management, and criticises the more hierarchical and divisional structures used elsewhere in the industry. He thinks this should help in combating the problem of early lapse rates on long-term pol-icies, which he regards as "the greatest black mark against

More insurance ■ Paul Blakeley is appointed a director of NICHOLSON CHAMBERLAIN COLLS AVIA-

the industry at the moment".

■ Margaret Smith is appointed md of LEGAL & GENERAL's new business unit, Information Systems & Services, and Peter Hickling is appointed operations director (financial consultancy) in the life and pensions division.

Charles Tankard

appointed a director of LLOYD-ROBERTS & GILKES. ■Lillian Boyle is appointed company secretary of SCOT-

■ Christopher Crowcroft is appointed group finance director of BLENHEIM in place of Dick Hosle who has resigned to set up his own consultancy.

Peter Long is appointed finance director and capital projects controller of SEVERN TRENT.

■ Bill Watson and David Mee have been appointed to the board of EASTERN ELECTRICITY as business development director and

md of Ticon UK, part of BTR.

Nicholas Dupenols and Dai
Williams are appointed
directors of EATON Ltd, the UK subsidiary of Eaton Corporation.

Stephen Brennan is appointed finance director of CADEL, a subsidiary of Meyer

engineering director, respectively.

Brian Howarth is appointed

International; he moves from Thomas Borthwick

#### Aiming for quality of life



of selling life insurance Bob Bullivant, 41, formerly sales and marketing director of Target Group, has been named general manager of Equity & Law Personal Financial Planning. This is a new venture by the life insurer to establish its own distribution channels. Equity & Law has hitherto relied heavily on independent financial advisers to sell its products, but acquired the distribution arm of Target, which was strong on the direct sales

side, from TSB last year.

Bullivant's job is to build a

team of "a smallish number of high-producing individuals bringing in high quality busi-ness in tune with the Equity & Law image". This involves an emphasis

on training - with salesmen having to complete a threemonth programme before they can be let loose with a full licence on potential customers. PFP starts with 120 people, more than half from the old Target team, and is scheduled to rise to 500 by 1995.

Before his spell at the recently troubled Target, Bullivant says he had accumulated wide experience of sales man-agement in "quality" areas of the market, including GRE and Leslie & Godwin, the insurance broker. His principal aim in his new role is "to preserve the good name of Equity & Law".



Paul Fisher, an Inland Revenue veteran with a few years subsequently at Price Waterhouse, is joining Cots-wold-based share valuation specialists Bruce Sutherland.

Sutherland is one of the few outfits, aside from the big accountancy firms, which will value the shares of private companies in cases ranging from matrimonial disputes to major corporate transactions. It counts some of the country's largest private companies

among its clients. Bruce Sutherland himself, in his late 60s, is still actively involved in the business, but wishes to devote more time to finishing a book on aspects of share valuation.

Fisher, who is 41, joins as a principal. He was chief examiner in the shares valuation division of the Revenue, before "seeing the light" and moving to PW. He is now glad to be

#### CK MARKETS

			W	ORLD STOC
AUSTRIA 1992 Prict	FRANCE (continued)  1992 Price	GERMANY (continued)  1992 Price	NETHERLANDS 1992 Price	SWEDEN (continued)
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JAPAN				AUSTRALIA (continued)
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842 740 Hitachi Cable 790 1,460 1,210 Hitachi Credit 1,290	1,540 1,210 Milson Fedosian 1,240 1,060 830 Milson Marine 830 472 400 Milson Marine 830 566 472 Milson Ost Liae 472 725 610 Milson Petchem 691	3,150 2,360 Sittots Set Per 2,390 1,320 1,120 Shimizu Corp 1,150 1,680 1,440 Sala-Etin Chem 1,580	3.50 3.01 Aust Gas Light 3.12 1.59 1.81 Aust Mat Inds 1.86 14.40 13.26 BHP 13.64 2.90 2.51 BTR Nylex 2.53 3.60 3.21 Boral 3.32	1.35 1.23 Mutil Purpose _ 1.26 1.58 1.38 Public Bank 1.51 4.52 3.80 Sine Darty 4.44
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2,720 2,180 Heidalde Eight 2,180 839 645 Heidalde Talesch 659	1,240 1,050 Mitsami Elec 1,110	465 KAY Characterist 416	0.80 0.73 Briefley lines, 0.74 3.60 3.08 Burns Philip 3.26 5.11 4.65 CSR 4.77	2.98 2.70 Cold Storage 2.78 12.10 11.20 DBS
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466 400 ishinara sanyo 415 380 315 isuzu Meturri 315 1,100 890 itoham Foots 963 404 345 itoman & C 350 4,600 4,130 ito Volzado 4,200 530 541 heatsu Elec 571 2,140 1,900 isumbya	625 510 NSK	2:30 448 Senimus List N . 473 1,030 850 Senimus Narine , 874 370 342 Senimus Narine , 345 1,090 980 Senimus Nari Na . 981	1.70 0.36 FAU INSURAINES 0.79 2.64 2.40 7 Fetcher Callage 2.46 2 1.83 Fessers Browley 1.99 2.47 2.49 2.49 2.21 Gen Prop 1st 2.44 1.66 1.42 Cookinas Fielder 1.46 2.46 2.55 Hardle (J) 2.64 1.65 1.45 1.65 1.45 1.65 1.45 1.65 1.45 1.65 1.45 1.65 1.45 1.65 1.45 1.65 1.65 1.65 1.65 1.65 1.65 1.65 1.6	Price data supplied by Teleture.  NOTES - Prices on this Page are as served on the individual page are as
4,500 4,150 no Yokado 4,200 650 541 heatst Elec 571 2,140 1,900 izumiya 1,960 800 666 JEOL 666 2,360 2,170 JGC Corp 2,250 543 421 Japan Sente Bask 455	625 510 NSK	1,530 1,240 Semitomo Tritilik . 1,250 735 665 Semitomo Wardens 720 680 580 Suzuki Mater 631	2.94 2.55 Highlands Gold . 1.54ml 6.12 5.39 ICI Aust	NOTES - Prices on this page are as quoted on the individual exchanges and are lest traded prices, do traventiliable. # Dealings suspended. zd Ex dividual. xr Ex scrip issue. xr Ex rights. xx Ex all.  Owing to problems at Telekurs, seen
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00	Canfor C <del>nPcFore</del>	\$27 <sup>1</sup> 6	264	27 26%	⊒;	6700	Maco A	340	0329	340	TN	7300	Ranger Oli Rayrock	355	65	57	43				Ξ.	12
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700	Cinepx Odr	325	320	320	-5	1000	Lac Minte Laferge x	\$27 <sup>1</sup> 4 \$0 516 <sup>1</sup> 4	8% 16%	171	-4	284700	Rogers Com8	\$13½ ¢	d133	137	-4	14000	Telegiobe	\$12-	12%	121/2
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DOW JONE		Feb	Feb	Feb	1	1982	Since co	ompilation		14_	13	12		HIGH	LOW
lodestrials	14	13	12	11 3 3251.4	HIGH 7 3276,5		HIGH 3276.83	LOW 41.22	AUSTRALIA Ali Ordinaries (1/1/90)	1 <u>618</u> 9 701.9	1622.9 700.9	1617.1 697.3	1615.5 692.7	1675,60 (15/1) 763,50 (20/1)	1599.90 ( 660.30 G
ope Bards	99.00	99.06			02/2	91.77	02/2/92) 99.81	(2(7)32) <b>54.99</b>	All Mains (1/1/80) AUSTRIA Credit Akties (30/12/86)	445.85	439.36	432.09	431.32	46.85 (14/2)	372.24 (2
ramport.	1406.20	1386,2	1 1405.6	4 1390.3		1 1342.12	64/2/92) 1532.01	CL/10/81) 12.32	Traded Index (2/1/91)	1066.85	1041.26	1033.21	1031.17	1064.85 (14/2)	901.64 (2
tiltis	207.81	208.12	2 209.9	4 208. <i>6</i>	9 225.5 0/1)	9 206.25	5/9/89) 296.23 02/1/90)	19,7,732) 10,50 08,44,32)	BE1.20 C(/1/91)	1158.37	1166.03	1160.38	1163,96	1183.78 (29/1)	1097.23 0
				AR		271.91 (3296.7	1		Capeshages SE CV/1/839	352.65	354.91	356,61	357.24	36.29 05/0	352.65 C
TANDARI	AND	POO	R'S	<b>PLA</b>	å s vide >	U L7L GERLI	71 LUN 3656	go Çezileri	PENLAND PEX General (28/12/90)	901.9	a95.9	896.7	895.0	901,90 (14/2)	779,00
mposite ‡	412.48	43,65	417.13	413.70			420.77	4.40	FRANCE		9817	582.04	503.95	508.43 (29/1)	49553 0
ustrials	491.00	492.30	496.3	492,0		1 485.57	05/1/92) 499.27	0./6/32) 3.62	CAC General (31/12/82) CAC 40 (31/12/87)	504.37 1865.11	1876A7	1841.60	1264.26	1890.60 (28/1)	1749,91
encial	34.09	34.29	34.62	34,21	05/1 75.14	33.53	05(1/92) 35.24	(21/6/32) 8.64	GERMANY FAZ Abba (31/12/50)	686.71	887,24	684.09	668.72	689.15 (6/2)	643.26 0
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SE Composite	<b>228</b> .16	228,73	230.5	228.9	231.8		251.85 05/1/92	4.46	DAX (30/12/67) HONG KONG	1676.49	1681_39	1678.92			
	414.27	415.27	418.9	415.4	6 418.9 (12/2	9 995.51	418.99 02/2/92	29.31	Hang Seng Bank G1/7/640	4772,32	476 <u>1,5</u> 0	4732.A3	4674,52	4772.32 (1475)	4301,78
SDAR Companie	: 636.28	639.10	644.92	2 633.5		2 586.45	644.92 02/2/92)	19/12/72) 54.87 (31/10/72)	SEQ Owest (4/1/86)	140.51	140/12	1442.83	1446.91	1464.57 (17/1)	139149
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u ladaştırlıği Dily,	Yield		2,87	2.1	99	.2.87	3.5	7	IAMAN	3° .					
		_	eb 12		5	Jen 29	year ago	<u> </u>	Filted DAE/49 Tobje SE (Topin) (4/1/68)	1555.31	21391.02 1586.08	21541.64 1594.81		7360778 (PI)	20058.30 1555.31
& P jedestrksi di & P jedil, P/E ra			2.54 25.61	2. 25		2.59 25.10	29 37		36.2006 M.Noo	2300.79	2428.04	2426.72	€	2459.85 (4/1)	2263.71 0
EW YORK	ACTIV	EST	OCKS	3	TRAD	NG ACTI	İVITY	1.5	MALAYMA IISE CASAGE W486	755.IS	- 594.63 -	600.75	691.65	804,45 01/20	544.63 0
ldey	Stocks traded		g Char on d		t. Votu	rme . Feb 1	Million 14 Feb 13	e- i ∴Feb 12	CBS TYLETA Con (Em) 1983) CBS An Shr (Em) 1983)	291.0 202.2	288.9 282.9	288.4 202.5	298.4 202.5	303.00 (21/1) 306.10 (31/1)	274,00 0 192,40 0
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d Mater . Sps	5,339,900 5,302,500	364 104	+ 1 + 1		AMEZ Nasdag: ,	26.	17.30		Odo SE One (2/1/83) PHE PPENER	1261.76	1219 32	1225.40	782.39	748.63 (17/1)	
id Mater isys Meters	5,399,900 5,302,500 4,554,400 4,291,200	357 104 38 554	+ 1: + 1: + 1:	ا او او	NASDAQ: :	2 . 2 . M. (X	17.30 14 268.91	253,462	PHILIPPINES. Name Cong (2/1/85) SENGAPORE	1261.75	1219.32	1225.40	1212.79	1303.30 (17/1)	· 117278
i Mater . 95 Meters Star	5,359,900 5,302,500 4,554,400 4,291,200 3,027,900	367 104 38 584 31, 153,	+ 1 + 1 + 1	14 19 19	NASDAQ: : NYSE Israel Trad Riser	2.1	195 2.18 195 2.18 191 59	8 2,184 5 1,085	PHILIPPINE Maria Conj (2/1/85) SINGAPORA SES AN-Sugaport (2/4/75) SOUTH APRICA	1261.75 404.54	1219.32 406.68	1225,48	1212.79 412.62	1303.39 (17/1) 418.99 (21/1)	1172.78 401.19 (
i Meter Ses Nectors Sstar ing C T & T	5,339,900 5,302,500 4,554,400 4,251,200 3,027,900 2,920,000 2,458,400	367 104 38 584 31, 153,	+ 10 + 10 + 10 + 12 + 12 + 14	14 15 16	MASDAQ MYSE feates Trad Riser Falls Unchanged	a 21	195 2.18 791 59 190 47	8 2,184 5 1,085 6 633 7 466	PHILIPPIER Maria Casa (2/1/85) SINGAPORE SES ME-Support (2/4/75)	1261.75	1219.32	1225.40	1212.79	1303.30 (17/1)	1172.78 491.19 (
ni Mater 155 1 Meters Astar 169 C 17 & T 1 Bepith	5,339,900 5,302,500 4,554,400 4,291,200 3,027,900 2,920,000	367 104 38 584 33	+ 10 + 10 + 10 + 12	14 15 16	NASDAQ NYSE Israel Trad Riser Falls	d 21	195 2.18 791 59 904 1.11 900 47 95 11	8 2,184 5 1,085 6 633 7 466	PHILIPPEER Madia Omis (21/155) SENGAPORE SES MA-Segaper (2/4/15) SOUTH APPRICA JSE Gold (28/9/15) SOUTH ROMEA**	1261.75 404.54 1308.04 4462.04	1219.32 406.60 1326.0 6513.0	1225.46 409.71 1394.0 4514.0	1212.79 412.62 1288.0 4491.0	1303.30 (17/1) 404.59 (21/1) 1327.00 (21/1) 4335.00 (15/1)	1172.78 401.19 ( 1119.00 4149.00
ni Mater 155 1 Meters Astar 169 C 17 & T 1 Bepith	5,399,900 5,302,500 4,554,400 4,291,200 3,027,900 2,920,008 2,458,400 2,325,000	36 MA 38 X 15 38 X	+ 10 + 10 + 10 + 12 + 15 - 16		NASDAQ NYSE Issue: Trad Riser Falls Uachangel Jiew Highs	2.1	222 17.30 141 268.99 195 2.18 791 59 1904 1.11 1906 47 195 11 17 1	8 2,184 5 1,085 6 633 7 466 2 139	PHILIPPIER Harb. Ome (2)185 Harb. Ome (2)185 SEGAPORE SES M-Support (2)475 SOUTH APPECA SE CALCES/78 ISE Indextol (2)478 SOUTH KOREA* Kers Coop Ex. (4)180 SPAIN	1261.75 404.54 1308.04 4462.04 658.63	1219.32 406.68 1326.8 6513.0	1225.49 409.71 1314.0 4514.0 664.25	1212.79 412.62 1288.0 4491.0	1303.30 (17[1) 404.99 (21[1) 1327.00 (23[1) 4335.00 (13[1) 691.48 (8/2)	1172.78 401.19 6 1119.00 4169.00 6 604.63 (1
ni Mator iss n Motors dstar ing C i T & T L Hepith	5,399,900 5,302,500 4,554,400 4,291,200 3,027,900 2,920,008 2,458,400 2,325,000	36 MA 38 X 15 38 X	+ 11 + 13 + 14 - 15 - 15 - 15 - 15		NASDAG NYSE Israel Trad Riser Fails Unchanged Hew Highs New Lows	21	822 17.30 193 240.99 195 2.16 191 59 190 1.11 190 47 195 11 17 1	8 2,184 5 1,085 6 633 7 466 2 139	PHELIPPEED Hasha Canj (21/183) Hasha Canj (21/183) SSCH AF-Sugane (21/173) SSCH AFRICA JSE Cald (22/9770) JSE Indextal (23/9770) SSC Indextal (23/9770) SSCH INDEXTAL (23/9770	1261.75 404.54 1308.04 4462.04 658.43 258.77	1219.32 406.60 1326.0 6513.0 658.49 258.75	1225.49 409.71 139.4.0 451.4.0 664.23 259.51	1212.79 412.62 1288.0 4491.0 674.32 259.04	1303.30 (1771) 404.99 (21/1) 1377.00 (21/1) 4535.00 (15/1) 691.40 (8/2) 259.51 (12/2)	1172.78 ( 491.19 ( 1119.00 ( 4169.00 ( 604.63 (1 238.93 (
ni Mater 155 1 Meters Astar 169 C 17 & T 1 Bepith	5,399,900 5,302,500 4,554,400 4,291,200 3,027,900 2,920,008 2,458,400 2,325,000	36 MA 38 X 15 38 X	+ 11 + 13 + 14 - 15 - 15 - 15 - 15		NASDAG NYSE Israel Trad Riser Fails Unchanged Hew Highs New Lows	2.1	822 17.30 195 2.18 791 90 196 1.11 197 17 198 17 199 17	8 2,184 5 1,085 6 633 7 466 2 139	PHILIPPINE House, Omp (2/1/85) House, Omp (2/1/85) SHOCAPOINE SES MI-Support (2/4/15) SOUTH APPRICA SE End (2/8/178) SE Indextol (2/8/178) SOUTH KOPREA HATE COURT SEPARA HATE SE OUT (2/85) SPARA HATE SERVICES HITESSAFIES SO. (1/2/37)	1261.75 404.54 1308.04 4462.04 658.63	1219.32 406.68 1326.8 6513.0	1225.49 409.71 1314.0 4514.0 664.25	1212.79 412.62 1288.0 4491.0	1303.30 (17[1) 404.99 (21[1) 1327.00 (23[1) 4335.00 (13[1) 691.48 (8/2)	1172.78 491.19 ( 1119.00 4149.00 604.63 (1 238.93 (1
Motor . Se . Motors Motors Motors T & T Beeth Seg	5,399,900 5,302,500 4,554,400 4,291,200 3,027,900 2,920,008 2,458,400 2,325,000	36 15 36 35 35 35 35 35 35 35 35 35 35 35 35 35	+ 11 + 13 + 14 - 15 - 15 - 15 - 15		NYSE Invest Trad Riser Fails Unchanged Hew Highs Hew Lows	21	822 17.30 195 2.18 791 90 196 1.11 197 17 198 17 199 17	8 2,184 5 1,085 6 633 7 466 2 139	PHILIPPEER Harls Comp (2/1/85) Harls Comp (2/1/85) SINGLAPORE SES MI-Support (2/4/75) SOUTH APPECA SE Cold (2/8/7/8) SE Indextal (2/4/76) SOUTH KOPREA HARLS CONTERN SPANN HARM SE CONTERN SWEDEN MISSISSISSISSISSISSISSISSISSISSISSISSISS	1281.75 404.54 1308.64 4462.04 688.63 238.77 938.9	1219.32 406.60 1326.0 6513.0 456.49 258.75 948.5 789.4	1225.46 409.71 1314.0 4514.0 664.25 259.51 953.6 789.2	1212.79 412.62 1286.0 4491.0 674.32 259.04 957.4 789.2	1303.30 (17/1) (40.99 (20/1) 1327.00 (23/1) 4535.00 (15/1) 6434.03 (8/2) 259.51 (12/2) 969.20 (20/1) 769.40 (13/2)	1172.78 (401.19 (201.1
Mater : igs : idea : id	5,399,900 5,302,500 4,254,200 4,251,200 3,022,900 2,920,000 2,920,000 2,325,000 2,005,600	367 104 38 38 31 32 38 44	+ 11 + 12 + 14 - 12 - 12		NYSE Invest Trad Riser Fails Unchanged Hew Highs Hew Lows	21	822 17.30 bi 266.97 195 2.16 791 59 904 1.11 500 47 95 11 17 1	8 2,184 5 1,085 6 633 7 466 2 139	PHILIPPIERS Hashs Comp 27/1953 Hashs Comp 27/1953 SPINGAPORE SS AM-Support 27/4/75 SOUTH APPRICA SS Edd 22/9/78 SOUTH KORREA* Kores Comp Iz: 44/1950 SPANN Hashin S GOULZES SWIEDISH Mitassrafes Sou. (1/2/57) SWIEDISH Mitassrafes Sou. (1/2/57) SWIEDISH AMAN S GOULZES SWIEDISH AMAN S GOULZES SWIEDISH AMAN S GOULZES SWIEDISH AMAN S GOULZES SWIEDISH AMAN SEE Book Ind. (1/1/2/56) SEC Sector (1/1/1/17) TATHEANY	1281.75 404.54 1308.04 4462.04 658.43 258.77 938.9	1219.32 406.60 1326.6 6513.0 258.75 946.5 789.4 635.2	1225.46 409.71 131A.0 451A.0 66A.25 259.51	1212.79 412.62 1288.0 4491.0 674.32 259.04	1303.30 (17/1) 404.99 (21/1) 1327.00 (23/1) 4335.00 (15/1) 691.48 (8/2) 259.51 (12/2) 989.28 (20/1)	1172.78 (401.19 (201.1
il Motor Sps Sps I Motors distar log C T & T I Septith	5,399,900 5,302,500 4,254,000 4,251,200 3,022,900 2,920,000 2,920,000 2,325,000 2,005,800	367 104 38 384 354 444	+ 11 T + 12 - 12 - 12 - 12 Feb	Feb	MASDAQ MYSE Issues Trad Riser Fairs Fairs Mere Highs Mere Lows		1892 1892 1893 1995 1995 1994 1994 1995 1995 1995 1995	8 2,184 5 1,085 6 633 7 466 2 139 1 11	PHILIPPIERS Hasha Casis (21/183) Hasha Casis (21/183) SSCHA-Singapore (21/173) SSCHA-Singapore (21/173) SSC Index (21/173) SSC Index (21/173) SSC Index (21/173) SSCHARINA Hasha (21/173) SSC Social (21/17) TATEAN** Weighold Price (20/4/60)	1281.75 404.54 1308.64 4462.04 688.63 238.77 938.9	1219.32 406.60 1326.0 6513.0 456.49 258.75 948.5 789.4	1225.46 409.71 1314.0 4514.0 664.25 259.51 953.6 789.2	1212.79 412.62 1286.0 4491.0 674.32 259.04 957.4 789.2	1303.30 (17/1) (40.99 (20/1) 1327.00 (23/1) 4535.00 (15/1) 6434.03 (8/2) 259.51 (12/2) 969.20 (20/1) 769.40 (13/2)	1172.78 4 491.19 5 1119.00 ( 4169.00 ) 604.63 61 238.93 52 913.70 6 661.10 6
Motor Sps Motors Sps M	5,399,900 5,302,500 4,254,600 4,251,200 3,027,900 2,922,000 2,458,400 2,325,000 2,005,800	367 101 38 381 351 381 261 461	+ 1: + 1: + 1: + 1: + 1: - 1: - 1: Feb		MASDAQ MYSE Issues Trad Riser False Machanged Mew Highs New Lows	21	1992 1992 1992 1994 1994 1994 1994 1994	8 2184 5 1,065 6 633 7 464 2 139 1 11	PHILIPPIERS Rests Comp (2/1/85) Rests Comp (2/1/85) SPOUTH APPRICA SE SAM-SAMPRICA SE CAM (22/9/78) SE UNITA APPRICA SE CAM (22/9/78) SE LAMENTAL (26/9/78) SOUTH HODREA** Laves Comp Ex. (4/1/80) SPARM Rands S (20/1/28) SPREDEN AMENTAL AND Sets Bank Ind. (3/1/2/56) SPREDEN THANKAND THANKAND THANKAND THANKAND THANKAND THANKAND	1261.75 404.54 1306.66 4462.04 468.63 250.77 930.9 765.5 631.6	1219.32 406.60 1326.6 6513.0 258.75 946.5 789.4 635.2	1225.46 409.71 1314.0 4514.0 664.23 299.51 953.6 789.2 435.6	1212.79 412.62 1286.0 4491.0 674.32 259.04 957.4 709.2 636.4	1303.30 (17/1) 404.99 (21/1) 1327.00 (21/1) 4335.00 (15/1) 691.40 (8/2) 299.51 (12/2) 989.20 (20/1) 799.40 (13/2) §36.40 (11/2)	1172.78 4 401.19 0 11119.00 4 4149.00 4 504.63 (1 234.93 0 741.59 0 661.10 0 4492.17 8
Motor Sps James Ja	5,339,900 5,302,500 4,254,600 4,251,200 3,272,000 2,722,000 2,325,000 2,325,000 5,00	367 104 38 351 364 364 464 464 20.63 3	+ 1: + 1: + 1: + 2: - 4: - 4: - 2: Feb 13: 076.13:	Feb 12	NASDAQ NYSE Issue: Trade Ricer Faith Unchanged Unchanged Higher Low. Fob 11 3031.08 3597.25	2.1	1982 1982 1982 1982 1982	8 2,184 5 1,085 6 633 7 466 2 139 1 11	PHILIPPINIS. Reads Comp (2/1/85) Reads Comp (2/1/85) SINGAPORE SES AM-Supapore (2/4/75) SE Comp (2/1/75) TATELANE Weighted Prize (2/1/4/56) THARLANE	1261.75 404.54 1305.94 4462.04 462.04 462.04 593.47 938.9 785.5 631.6 5023.41 885.78	1219.32 406.40 1326.8 4513.0 458.49 258.75 948.5 789.4 635.2	1225.49 409.71 1334.0 4534.0 664.23 259.51 953.6 789.2 635.6	1212.79 412.62 1288.9 4491.0 674.32 259.04 957.4 769.2 636.4	1303.30 (17/1) 404.99 (21/1) 1327.00 (23/1) 4335.00 (13/1) 691.40 (0/2) 2592.51 (12/2) 989.20 (20/1) 7897.40 (13/2) 636.40 (11/2) 5391.63 (30/1)	578.99 C 1172.78 4 401.19 G 1119.00 G 4469.00 G 604.63 G 1119.00 G 601.10 G

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EUROPE'S BUSINESS NEWSPAPER

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	FT MANAGED FUNDS SERVICE	Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute charge and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-825-2128
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AS Charlotte Sq. Edubergh 031-22-3,3771 Annivers query 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	-41795	1927   109.1   - 12.297   Pendim Funds   170.7   180.2   - 42.098   Fund Interest Fd.   18.2   97.3   180.2   195.5   185.7   - 12.293   43.098   185.8   185.8   - 12.293   43.098   185.5   185.8   185.8   185.8   - 12.293   43.098   185.8   185.8   185.8   185.8   - 12.293   185.8   185.8   - 12.293   185.8   185.8   - 12.293   185.8   185.8   - 12.293   185.8   185.8   - 12.293   185.8   185
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# Watchful eyes on £

TO cut or not to cut - that will be the big question occupying the Bank of England as it watches the fate of sterling in the foreign exchanges and as political pressures for a reduction grow more intense.
Sterling's shining performance last week - when it ignored virtually every piece of bad news the economists could throw at it - may well strengthen the case for an interest rate cut.

UK clearing bank base leading rate 10.5 per cent from September 4, 1991

Certainly, if the dollar continues to rise at the expense of the D-Mark, one of the heaviest pressures on the UK currency could be eased just enough to allow a reduction in interest rates.

Dr Mark Austin, economist with HongKong Bank, suggests that the authorities could "get away with just a small cut", in

a such a case. The market is becoming increasingly attuned **E IN NEW YORK** Prenion Class Feb.14 1.7705-1.7715 1.7723-1.7730 0.91-0.89pm 0.92-0.91pm 2.66-2.63pm 2.67-2.67pm 8.93-8.83pm 9.08-8.98pm

STERLING INDEX Feb.14 Previous 90.9 90.9 90.9 90.9 90.9 90.9 90.7 90.2 8.30 9.00 10.00 11.00 Woos 1.00 2.00 3.00 4.06 

OTHER CURRENCIES

Feb 14 1 5 5

Argentina ... 1,7480 - 1,7595 0,7900 - 0,9710

Asstralla ... 2,3505 - 2,3525 1,3250 - 1,3260

Brazii ... 2590,770 - 2572,590467,40 - 1,467,60

Freinand ... 7,7705 - 7,7725 - 4,4350 - 4,4380

Freinand ... 7,7705 - 7,7725 1 - 4,350 - 4,4380

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Freinand ... 32,8100 - 334,400,185,780 - 188,760

Rorea Shid ... 34,255 - 1,3640 - 7,988 - 7,66,80

Rorea Shid ... 35,255 - 1,3640 - 7,988 - 7,66,80

Rorea Shid ... 3,525 - 3,546 - 3,525 - 3,540

Malaysia ... 4,5940 - 4,4655 2,5750 - 2,4650

Mexica ... 32,255 - 3,3255 1,3875 1,3876

Shagapor ... 4,5942 - 4,6453 2,5755

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4,410 - 44,20 2,975 2,800

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CHICAGO High Jon 94.31 99.01 98.25 97.30 97.25 98.39 98.27 98.05 98.00 98.42 98.44 98.05 99.22 99.22 99.22 99.23 U.S. TREASURY WILLS (BING Site petits of 190%

Pres. 96.18 96.09 95.80 95.27 95.05 High % 18 % 17 95.77 95.23 94.94 9613 9617 9617 9617 9619 (ger Peter. 1.7450 1.7626 1.7240 1.7368 1.7070 1.7340 Close High Low Pres. 0.6014 0.6655 0.6735 0.6834 0.6758 0.6805 0.6455 0.6778 0.6718 0.6715 0.6650 0.6730

PHILABELPHIA SE L/S OPTIMIS (31,250 tourls per (1) Strike 1750 1750 1860 1860 1860 1860 1860 Feb 225 2.70 5.20 7.60 16.10 130 2.17 3.39 5.52 6.92 8.96 11.25 Feb 4.66 2.20 514 406 312 130 132 Mar 5.27 3.56 2.30 1.40 0.79 0.40 0.17 Previous day's open lat: Calls 390,757 Pats 470,470 (All corrected Previous day's volume: Calls 57,879 Pats 48,642 (All currencies)

to the idea of a 1/2 point reduction.

A strong dollar appears to be on the cards this week, with few events scheduled which would have an adverse impact. Mr Alan Greenspan, chairman of the Federal Reserve, is set to give his biannual report to Congress on Wednesday, known as the Humphrey Hawkins speech. Most economists expect him to say the same old thing enough has been done, but if necessary we will do more.

The market is also looking for a pick up in housing starts, for a pick up in housing starts, due out the same day.

Even if the statisticians come up with depressing numbers, "the market is in the mood to ignore the bad news and trade on the good," says

Mr Nigel Newman, senior

economist with Barclays.

In Germany, good producer price figures are not expected to put off the D-Mark bears. The continuing difficulty of wage negotiations and the Bundesbank's stated policy of holding firm on rates are likely to weaken the D-Mark, say

CURRENCY MOVEMENTS Bank of England Index 90.8 63.7 100.8 109.9 111.5 109.0 118.5 106.9 114.6 103.1 98.9 243.4 Morgae Guaranty changes: average 1980-1982-190. Bank of England Index (Base Astrage 1985-100). \*\*Rates are for Feb.13

**CURRENCY RATES** U S Dollar ... 3.50
Consillar S ... 7.50
Austrian Sch ... 7.50
Reiglaa Franc ... 8.50
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Death Roor ... 9.50
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Henney Krone ... 8
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Select Orach ... 19
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0.7843 0.7802 0.7828 0.7824 0.7790 0.7808 0.7768 0.7788 0.7894 0.7806 95.83 95.80 95.21 94.31 94.38 95.26 95.26 High Law Pres. 414.90 411.30 414.30 416.15 412.70 415.60 417.60 414.10 416.90 419.20 415.60 418.40

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ATTENDED	28730 - 28825	2,9775 - 2,8825	le de proper	0.78	1 - 1 AU	4
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	180.40 - 190.85	180 65 - 180.75	28-33 <sub>06</sub> s	-2.03	94-116d)s	J ⊸i
12 ly	2157.90 - 2163.75	210.00 - 2162.00	2-3liredis	-1.29	8-11db	-
Horway		17302 - 17502	A-HOLEGAL	133 0.46	4 405	۱ ٦
17AZ	9.7800 - 9.8070	9.7800 - 9.7900	9-५क्क	0.96	5-49m	(
Sweden		10,4500 - 10,4400	l 1-1 streds	-1.72	517-6416	۱ ۶
/2020	25.90 - 25.75	25.75 - 226.75	1-Lepin	4.54	23-2500	1
Austria Seritzeriand .	20.19 - 20.25	25900 - 24000	5 <b>%-7gradis</b>	-3.82	35-1-20m	9
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UKy	Feb 14	Day's upread	Close	One month	P.2	Three months	7 <u>%</u>
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**EXCHANGE CROSS RATES** S DM Yem F Fr. S Fr. N Fl. Lirz CS B Fr. Ecu £ 1 1,769 2,880 226.3 9,785 2,595 3,240 2162 2,097 59.30 1,410 5 0,565 1 1,628 127.9 5,531 1,467 1,832 1222 1,185 33,52 0,797 BM 0,347 0,614 1 78,58 3,398 0,901 1,125 750,7 0,728 20,59 0,490 YEN 4419 7.817 12.73 1000. 43.24 11.47 14.32 9554 9.266 282.0 6.231 FFr. 1.022 1.808 2.943 231.3 10. 2.652 3.311 2210 2.143 60.60 1.441 SFr. 0.385 0.682 1.110 87.21 3.771 1 1.249 833.1 0.808 22.85 0.543 NFL 0.309 0.546 0.889 69.85 3.020 0.801 1 667.3 0.647 18.30 0.435 Lira 0.463 0.818 1.332 104.7 4.526 1.200 1.499 1000. 0.970 27.43 0.652 C5 0,477 0,844 1,373 107.9 4,666 1,237 1,545 1031 1 28,28 0,672 BFr. 1.686 2.983 4.857 381.6 16.50 4.376 5.464 3646 3.536 100. 2.378 Eca 0.709 1.255 2.043 160.5 6.940 1.840 2.298 1533 1.487 42.06 1 Yen per 1,000: French Fr. per 10: Lira per 1,000: Beigian Fr. per 100.

**EURO-CURRENCY INTEREST RATES** lars: two years 5%-5% per cent; three years 6%-6% per cent; four years 61%-6% per cent; five not populari. Short term rates are call for US Dollars and Japanese You; others two days' notice.

FT LONDON INTERBANK FIXING 6 months US Dollars (11.00 a.m. Feb.14) 3 months (IS dollars bd 4<u>1</u> offer 42 The fixing rates are the arithmetic means rounded to the nearest one-stonessth, of the hid and offered rates for Sillon gooted to the market by five reference banks at 11.00 a.m. each working day. The banks are Hailored Westmisster Bank, Bank of Tologo, Desiche Bank, Bances Hottooni de Paris and Morgan Guineauty Trad.

**MONEY RATES NEW YORK** Treasury Bills and Bonds (Loe Month Str Monties 9.50-9.60 93-10 63-65 9.50-9.56 53-53 113-124 9.56-9.68 103-103-950-960 98-104 74-71 950-964 52-51 121-124 93-98 102-108 9.50-9.60 913-10 à 9.50-9.60 912-10-1 9.53-9.60 532-51-121-123 9.5-91 104-103 9,45-9,55 93-10 9.75 9.60 1012-104

LONDON MONEY RATES						
Feb 14	OvernJght	7 days notice	One Month	Three Months	Six Montis	One Year
Intertunik Offer Interhank Bid Sterling COS Local Authority Deps Local Authority Bonds Piscount Mitt Deps Chrompany Deposits Fluorote House Deposits Freasury Billis (Buy) Time Trace Bills (Buy) Time Trace Bills (Buy) Dollar COS Linked Dep. Offer DOR Linked Dep. Offer COS Linked Dep. Offer COS Linked Dep. Bid ECU Linked Dep. Bid ECU Linked Dep. Bid	11½ 8½ 10¼ 10½	10% 10% 10% 10%	1995 - 19	1900 1 1900 99 1 80 50 50 50 50 50 50 50 50 50 50 50 50 50	19904 - 19944	100 100 100 100 100 100 100 100 100 100
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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries NATIONAL AND REGIONAL MARKETS FRIDAY FEBRUARY 14 1992 THURSDAY FEBRUARY 13 1982 | Some | Starting | St 145.15 -3.8 184.27 +10.7 138.09 -4.3 135.79 -0.4 252.03 -5.7 67.54 +12.2 148.96 -1.0 117.52 +0.2 198.44 +12.5 165.53 -1.4 75.00 -0.5 119.61 -1.1 241.37 +12.7 1654.26 +17.5 4.32 145.37
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BANK OF ENGLAND TREASURY BILL TENDER Feb.14 Feb.7 9.7868% 9 8369% 9.7764% 9 8765% 10 0206% 10 9737% ESOOn ESOOn £95.260 £95.250

WEEKLY CHANGE IN WORLD INTEREST RATES Feb.14 change Unch's +0.07 +0.14 +0.11 Unti'd

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**MONEY MARKET FUNDS** 

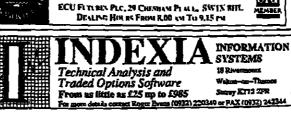
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FINANCIAL TIMES STOCK INDICES
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28	FINANCIAL TIMES MONDAY FEBRUARY 17 1992
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FINANCIALTIMES

MONDAY INTERVIEW

# A thinker as well as a doer

David Lascelles talks to Professor Stephen Littlechild, electricity industry regulator

ne year after the UK privatised its electricity industry, much of the debate about its future takes place in a large, 15th-floor office overlooking central

It is occupied by a lightly built man with a russet, gnome-like beard who seldom smiles, and whose every word sounds so carefully chosen that it might have been uttered by a judge. And, in a way, a judge he is.

Professor Stephen Littlechild is the director-general of elec-tricity supply - the man charged with the statutory duty of promoting competition in the electricity industry. The grand set of titles is no acci-dent. He is both a regulator and an academic: a thinker and

Anyone requesting a copy of his curriculum vitae is asked whether they want the long version or the short one. The long one consists of 11 pages packed with details of his degrees, fellowships, appointments, consultancies and publications. The latter range from a weighty Elements of Telecommunications Economics (in Japanese) to treatises on aircraft landing fees, smoking and

daffodil prices. But the short version contains the central points. Since 1975, as Professor of Commerce at Birmingham University (from which he is currently on leave of absence), Prof Little-child has been one of the leading academics on regulation issues. He advised the UK government on the regulatory regime for British Telecom and the water industry, and was a member of the Monopolies and Mergers Commission for six years. Most significantly, he invented the formula that governs the amount by which the electricity industry can raise its prices each year. His cre-dentials for the electricity sup-ply job were impeccable.

What this version does not say is that Prof Littlechild is also a great believer in market forces, and as such was in tune appointed. But he resents any suggestion that he is a product

of the Thatcher years.
"The belief in the advantages of competition in satisfying the needs of customers and making companies work effi-ciently is centuries old," he says. "In many respects this is a fundamental part of our civil-

isation." So what influenced his views? "I've always had a belief in freedom of choice, in a

Some people might see a con-

ome years ago, my family and I, together with another family of close friends, spent a summer holiday in a rented villa in southern Italy. It was a wonderful place – right at the top

of a steep hill. Quite private, very slightly breezy and much cooler than the baking beaches

far below. There was just one draw-

There was just one draw-back. Since the month was August, there was too little water, and almost none of that little reached the top of our hill. Down below, near the bak-ing beaches, the Neapolitan masses splashed themselves

and even their cars with reck-less abandon; whereas we, in

our superior eyrie, remained hot, bothered and dirty.

A desperate situation called for desperate efforts. So when

the womenfolk set off down the hill with the children to enjoy the baking beaches and the

company of the Neapolitan

masses, we menfolk climbed to the attic with lengths of plastic

piping in the hope of improv-ing the water supply. We laboured at this task for sev-

eral days, but of course we did

not make any difference at all. Nothing has reminded me so

much of those long and fruit-

less sessions with the hosepipe

as the strange spectacle of the general election campaign now on view in Britain. The dead-

lock in the opinion polls sug-

gests an electorate divided between black cynicism and

tradiction between this philos-ophy and the wielding of regulatory power over one of the UK's largest and most complex industries. But Prof Littlechild

ensuring the lights stay on.

Since last autumn, Prof Littlechild has issued a string of pronouncements and decisions, many of them dozens of pages long. He criticised the two companies that dominate the generating business for playing games with electricity prices, and threatened them with a monopoly referral if they did not mend their ways. He reduced some of the barriers holding back competition, and he ensured that household-ers had rebates after being overcharged by local electricity companies.

but it is too simplistic to say that they will solve all the problems," he admits. One of his worries is that the socially disadvantaged can become the victims rather than the beneficiaries of competition. So he has been tough with the elec-tricity suppliers over discon-nections, for example, when

will push the power industry into caring for the environment; this led him to pen another lengthy paper proposing a new regime to encourage energy efficiency - by adding what he calls an "e" factor to

the price formula. This flurry of activity has not made him popular with the industry. This may be the natural lot of the regulator. But electricity executives also complain about the torrent of mingham. They accuse Prof Littlechild of academic remoteness, of being more interested

in producing learned treatises than in addressing the hard realities of the business world. He looks slightly offended at this. "I don't think that I'm unduly academic. I try to lay out what the leaves are I try to lay out what the issues are. I try to explain my thinking and get a response. I think I have a good

sees a clear role for himself.

Electricity was not priva-tised without flaws: there is insufficient competition in power generation; all sorts of barriers still prevent free competition among suppliers; and the prices of power sources like coal and nuclear are wildly distorted. The regulator has to maintain the momentum of change by opening the flood-gates of competition, while

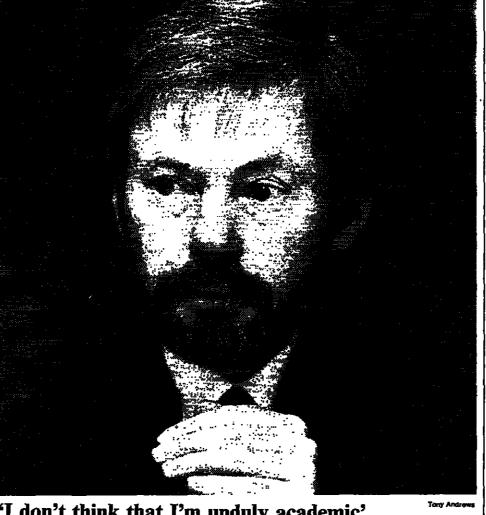
"I believe in market forces,

bills are not paid.

He also has his doubts whether market disciplines

dialogue with the industry."
His biggest immediate chal-lenge will be to decide what to

do about the generating indus-



'I don't think that I'm unduly academic'

try in England and Wales, where the two descendants of the old Central Electricity Generating Board, National Power and PowerGen, have three quarters of the market between them. In spite of his monopoly referral threat, Prof Littlechild keen not to cause upheaval at this early stage, because "I want to see if I can work with the industry I have inherited". He also studiously avoids accusing the generators outright of price gouging, presumably to prevent bringing the monop-oly issue to a head just yet. But he also wants to give his

PERSONAL FILE

1943 Born August 27. Edu-cated Wisbech Grammar School. 1964 Graduated as Bachelon

price formula time to work. It

of Commerce, University of Birmingham.
1969 PhD, University of Texas. 1975 Professor of Commerce

and head of department, University of Birming-**1983-89** Member of the Monopolies and Merg-

ers Commission. Director-general of electricity supply.

was designed to force electricity companies to keep price rises below the rate of inflation, and therefore cut costs. The companies will only do this if they know the formula will apply for several years, he argues. The first price review is not due to get under way until 1994. In this respect, Prof Littlechild has been much less aggressive than his colleagues regulating the gas and water industries, who have provoked vigorous clashes with the companies in their charge.
Further ahead, Prof Little-child is already planning the

introduction of competition

world of mad plumbing

down to the grass roots of the UK electricity market - the private home. He has a vision of each household buying its electricity not just from its local distributor, but from any company it chooses.

"I do believe it is both possible and desirable for competition at the domestic level. I look forward to a situation where the domestic customer can look in the Yellow Pages for a supplier of electricity like a supplier of oil."

Power companies would compete not just on price but on levels of service, availability of credit, types of billing and so on. Electricity would be sold using sophisticated tariffs giving householders all sorts of options as to how and when they draw their power.

This brave new world would be based on new-fangled metering technology which Prof Littlechild has closely researched. For about £50-260, he believes, people will be able to buy a device to measure how much electricity is used. how much electricity is used and apportion it to the various suppliers chosen by the household it will probably be linked by radio to the supplier, which will then know exactly how much power it is supplying at

any given moment. His ideas about metering, laid out in a recent paper, have aroused interest in consumer organisations, but attracted a of the industry which doubts that ordinary householders want such a sophisticated level of service. But Prof Littlechild argues that the industry will have to go down this route as competition spreads. "The future is going to be different, and this is what people want," he says. "The UK would be pioneering in providing this service. A sensible timescale would be to look for full com-

petition by the year 1998."

Prof Littlechild was greatly encouraged by the recent

which will throw open national electricity and gas markets to competition from the rest of the European Community. It closely parallels what he is trying to do with UK electricity and will therefore fit comfort ably with the future as he sees it. Continental countries, many of them still dominated by state-owned power monopolies, will have a far tougher time. But Prof Littlechild's mus-

energy directive from Brussels

ings about the future could be rudely interrupted in a few weeks' time if a UK election produces a change of govern-ment. Although technically an independent regulator, the director of electricity supply is appointed by the energy secre-tary, and there has been some speculation that Prof Little child's free market leanings could cost him his job under a Labour administration.

He views the prospect calmly. "A change of govern-ment shouldn't have any effect," he says. "I don't antici pate a major problem."

# Chinks of light on the economy

alk of "pervasive gloom" about the US economy has never been quite justified. For three years, pro-fessional forecasters have been consistently complacent. In the summer of 1990, most expected the US to avoid recession. In the spring of last year, most were confident of sustained economic growth. Last week, a rebound in department store and car sales was triumphantly seized upon as convincing evidence that recovery, at last, is at hand. Is it time to join the bulls and declare the recession history?

My initial reaction is to call for better US statistics. The preliminary figures that send ripples through global finan-cial markets are often deeply misleading. According to last week's figures, retail sales jumped 0.6 per cent in January. Revisions to prior figures indicated that sales were flat in nominal terms in November and December, instead of down by 0.5 per cent and 0.4 per cent as previously reported. The news that sales did not, in fact, fall sharply before Christmas is welcome. But how reliable is the claim of a rebound in January? The figure for November was first reported as a gain of 0.3 per cent, then as a fall of 0.5 per cent and, finally, as a zero change.

The zing in car sales in the first 10 days of February seems more solid evidence of recovery. But it is nothing to write home about. An estimated annual rate of sales of 6.4m units was encouraging com-pared with dismal expectations of only 5.8m and a 6.1m rate at the end of January. But in better times, an annual sales rate of 6.4m units would be seen as evidence of near recessionary conditions. And, as with the retail sector, the figures are notoriously volatile.

Bulls, however, will reach for the third arrow in their quiver: the recent revival of monetary growth. Bank reserves - the base for lending have registered annual rates of growth of 20 per cent or more since last September. M1, a narrow measure of money, has grown at a double digit rate. Even M2, the targeted measure of broad money, is staging a lacklustre revival,

MICHAEL PROWSE on America

having grown at an annual rate of about 3.5 per cent in recent months.
Federal Reserve officials

at most half-hearted monetarists - are well aware that a similar revival of monetary growth this time last year fiz-zled out. The figures, nonethe-less, help justify the Fed's "wait and see" stance on inter-est rates. In his Humphrey-Hawkins testimony next week. Mr Alan Greenspan, the Fed chairman, seems certain to repeat his favourite mantra: that the monetary easing already in the pipeline will be sufficient to revive the econ-So far the nation's factories

are paying scant attention. On Friday, the lift from retail sales was largely countered by far worse than expected produc-tion figures. Industrial produc-tion fell 0.9 per cent last month; and revisions – nearly as large as those for retail sales showed falls of 0.3 per cent and 0.4 per cent in November and December. The decline was led by cars but affected every sector, from consumer goods and business equipment to util-ities. The feared "double dip" recession is thus a reality for much of corporate America. It has already caused the loss of some 300,000 payroll jobs since the autumn.

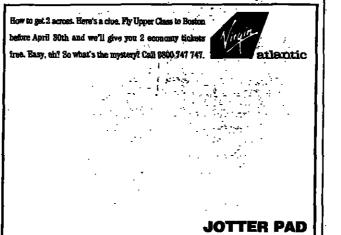
Optimists are unmoved. They insist the fall in produc-tion is old news because it was a response to the weakening of demand in the final months of last year. Now that demand is rebounding, business confidence will revive and output will start growing. After a weak first quarter, the econ-omy is thus poised for recovery

in the spring. The logic is fine. But bear in mind two impor-tant caveats. In the first place, the evidence for a rebound in demand is still tentative. More importantly, consumer fundamentals remain weak - savings rates are low, employment prospects are dicey and real incomes are subdued. Any revival in spending could easily prove to be short-

In economic if not political terms, the precise timing of recovery is less significant that the medium-term outlook for growth. On this, opinions differ markedly. If you seek reassur-ance, the best place to look is exports. The combination of exports. The combination of cost-cutting in manufacturing and the weak dollar has transformed the outlook for US exporters, which have been gaining market share since the mid-108 to some manufacturing the combination of the some manufacturing the sound that the sound that the sound the sound that the mid-1980s. On some measures, German wage costs are now 50 per cent higher than Amer-ica's. Far from losing competitiveness, some economists claim, US industry is actually in better shape than at any time since the 1960s. Gloom about the long-term outlook is thus badly misplaced.

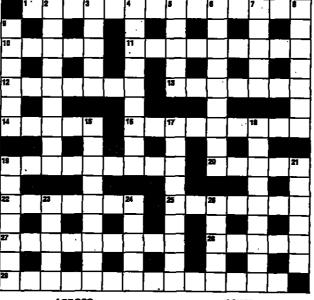
Those focusing on the public sector cannot swallow this optimism. Given rapidly falling inflation, they say sharp rises in bond yields – back almost to 8 per cent – reflect growing alarm about fiscal trends. Even if congressional Democrats' plans for middle-income tax cuts are fully funded by higher marginal rates on the rich (still a big if), the outlook is for another decade of huge defi-

These lakes of red ink represent negative public savings. The long-term consequences of low saving and investment are dire. At a recent seminar, economists at the Brookines Institute, a Washington think tank, argued that the US economy's sustainable growth rate may now be only a miserable 1.7 per cent a year. Yet the chances that politicians of either party will take serious steps to improve productivity growth remain depressingly slim. In my book, therefore, the bears still have the best of an increasingly complex argu-



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**ACROSS** 

O (8.6) 10 No right to praise new col-11 Knock around with a chap with a title (9) 12 How to terminate the class system? (5,2)

13 Persist in the conversion of clergymen (7)
14 Light cutting instrument (5) 16 Prepare the duvet for a makeshift bed (9)

19 Units seen in one eastern country or another (9) 20 Silas shows fibre when in trouble (5)
22 But Arctic fur doesn't come

from it (7)

25 Dingy church has a place in modern history (7) 27 There's no end of cats here (4.2.3)
28 Bearded doctor looks hag-

gard (5)
29 Birds skipping over the water (5,3,6)

2 Forced to go into service and deeply affected (9) 3 Opening joke (5)
4 Possibly pots palms for hrightening up the street?

5 Hastily made and hoisted a flag (8,2) 6 Marked men, perhaps (9) 7 The main comings and

goings (5)
8 Catches, as one comes drunkenly home (5,2)
9 is the first murder victim a girl? (6) 15 Rush over to meet (3,6)

17 Deserted, being completely irresponsible (9)
18 Stubborn stain to be removed (9)
19 Suggested one politician

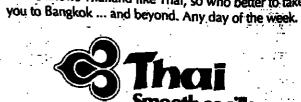
was untruthful (7)
21 Enjoying favour (6)
23 Shrub, one that's in rising demand (5)
24 Famous Athenian doctor in the money (5) .

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February L





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weary incredulity. But the poli-ticians, enclosed in their world of mad electoral plumbing, continue to tout their frenzied schemes for tinkering with the structures of state. This one proposes to insert a pipe at the higher tax bracket and connect it to the family allowances lower down. That



IAN DAVIDSON on Europe

one promises to disconnect the filter on National Insurance contributions and lay a pipe-line across to the National Health Service. A third, with a T-join at the petrol tax, would make a diversion into road building. All this, of course, in the belief that a few lengths of electoral piping will turn a trickle of votes into a flood.

The performance is absurd and, worse, dated. Some will cringe at the manifest intention to bribe the electorate. The day Mr John Major's office promised there would be no electioneering Budget was also the day it spoke about a cut in income tax. We may regret that politicians make their way by siphoning money out of the pockets of their adversaries into the pockets of their

friends, but that is their trade. But it is the intellectual self-deception which is most discouraging, as if the politi-cians' mad plumbing could increase the total flow of economic resources. Everybody knows that Britain's macroeconomic policy is now largely defined by the objectives of the European Monetary System. This should mean the beginning of a greater political consensus. Yet British politicians continue to offer their patent economic nostrums, like throwbacks to a Keynesian time warp of 30 years ago.
In this respect, as in so many others, Britain and France seem to exist in different peri-

ods of history. In 1984, France moved over to an anti-inflation policy of monetary and budget-ary restraint, in explicit accep-tance of the logic of the EMS, and since then there has been no serious argument over macro-economic policy by the mainstream parties on either the left or the right.

The most controversial issue

used to be the debate over whether to privatise stateowned companies; but even this ideological argument has lost its excitement, since the Socialists now admit the principle of partial privatisation.

Naturally, the Socialists are unhappy about the level of

unemployment; as well they might be, because it will lose them the next election. But no mainstream politician of any weight promises to perform a macro-economic conjuring trick with a couple of yards of electoral tubing. Nor do they propose a significantly different macro-economic policy, to get faster economic growth and lower unemployment, because they all accept the over-riding

logic of the EMS. Perhaps they are wrong. Perhaps politicians have a public duty to challenge the logic of the EMS as it is currently operating - that is to say, as a machine for low growth and high unemployment. To be sure, the international

environment is going through a recessive phase, with a corre-

sponding knock-on in Europe; but the passive logic of the evolving EMS, as it is run by

the Bundesbank, has a recess ionary effect of its own. In the final phase of European Monetary Union, the management of a single monetary policy can be set in a nity institutions. By acting col-

broad European fiscal context, which member governments can influence through Commulectively, governments will recover a degree of control over their economies, which they have lost at the national level. During the preparatory transition, by contrast, they are fiscal prisoners of a foreign central bank whose independence can also be described, lit-erally, as irresponsibility. The phasing of Emu, as fixed

in the Treaty of Maastricht, means that the transition to a single currency will take at least another five years. Well before then, there may be some spontaneous recovery in Europe; but there seems no prospect of the kind of growth which would bring a steady fall in unemployment. The problem facing Europe's

politicians is this: are they pre-pared to accept for another five years the consequences of a machine that produces high unemployment? The French Socialist party is about to pay a heavy price for eight years of conservative, pro-European economic policy. The big win-ners in next month's regional elections will not be the conservatives, but the protest parties: the National Front, the ecologists and the Commu-nists, who will probably share 35-40 per cent of the total vote.

There are only three logical choices: to opt out of Emu, to accelerate the process, or to grin and bear it. The one option which is self-delusion is mad electioneering plumbing.

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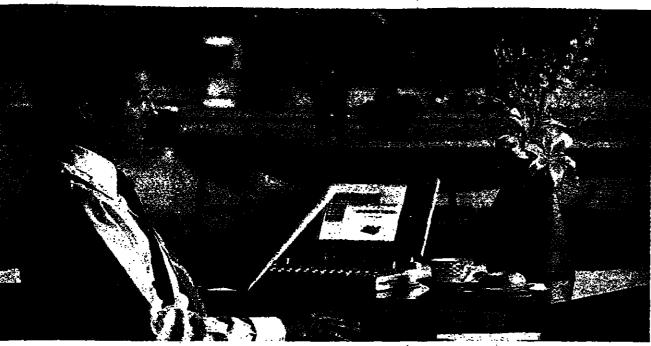
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# PORTABLE COMPUTERS

SECTION III

Monday February 17 1992





Now the line between portable and notebook computers is hard to draw, says Alan Cane

# Manufacturers' motto is 'smaller, faster, lighter'

ORTABLE computers are now set to play a central role in the fast-moving drama that is the world computer industry. The evidence can be seen in the wide-ranging deal struck last month between International Business Machines. the world's largest computer manufacturer, and Groupe Bull, the French national computer champion. Included as one of its more impor-

Included as one of its more important provisions is an agreement for
Bull to supply IEM with a substautial number – perhaps up to 100,000
a year – of its Zenith Data Systems
(ZDS) portable computers. ZDS,
bought by Bull two years ago, is,
along with Toshiba of Japan, a pioneer in portable computing. neer in portable computing. The deal also provides for IBM and

Bull to work together on the future development of Zenith's portable IBM, is the world leader in desk-

> innovation counts for more than market muscle Toshiba is the market leader in

top personal computers, but it has a dismal record in portables, where

with Bull, therefore, plugs an imporwith Bull, therefore, progs an impor-tant gap in IBM's product line while providing a welcome source of extra volume for the French company's manufacturing facilities.

Further evidence comes from Apple Computer, the world's second largest PC company. It moved last year into "notebook" computers, lightweight computers capable of being carried in a briefcase, and sold 100,000 of its PowerBook systems in the first three months of its fiscal year. The result was earnings well above market expectations.

If further proof was necessary,

ewcomers to the market are electing to make portables rather than any other kind of personal computer. An example is Nippon Computer Company, a subsidiary of the Japa-nese giant, Nippon Steel.

It is manufacturing notebook computers only, arguing that is the fast-est-growing segment of the market-

It is also marketing its products outside Japan for the time being, hoping to build a solid market base in the West before tackling the

What, these days, constitutes a portable computer? In the 1970s and 1980s, it was a machine that could be transported safely in a car boot. Compaq Computer of the US pioneered many of the design and manufacturing technologies that made it possible to lug around several kilogrammes of delicate electronics

without damage.

The introduction of notebook machines, courtesy principally of Japanese manufacturers, capable of being carried in a briefcase, but featuring a full-size screen and key-board, changed that perception of portable machines.

Now the dividing line between portable and notebooks is difficult to draw. Performance is similar - both operate off either mains power or hatteries.

Both have full-sized screens and fally-featured keyboards. Both use the most powerful microprocessor chips available with memory capacity to match. The motto for computer manufacturers has become

world's most competitive notebook "smaller, faster, lighter." It is how-ever, easier to distinguish between notebook computers and the latest variety of portable machine to

attract attention: handheld, palmtop

or pocket computers.

These are more versatile than electronic organisers of the Sharp IQ variety, and more sophisticated than handheld terminals.

mong the manufacturers of pocket-sized computers are Psion and DIP of the UK, Hewlett-Packard of the US and Poget, a California-based company in which Fujitsu of Japan has a substantial stake.

They offer many of the functions found in full-sized PCs of IBM design. The best-selling Hewlett Packard model, for example, takes the user into the Lotus 1-2-3 spread-sheet with a single keystroke. The problem with all handhelds,

however, is the miniature keyboard which makes touch-typing virtually impossible, and the small screen. Based on the best liquid crystal technology, these screens nevertheless

legibility.
Handheld computers can have important roles in business (for example, Gallahers' use of Victor machines, see page six in this sur-ney), but the future of portable computing seems to lie with notebooks. These light, powerful machines are winning the fight for the hearts and minds of computer users, but the battle for their pockets is proving

Like the rest of the computer industry, the portable sector has been hit by the recession in the US, parts of Europe and Australasia and by plummeting prices. Even the once-buoyant Japanese market has lost some of its bounce.

The result is that explosive rates of revenue growth predicted for most areas of the portable market were not sustained through 1991.

The market for notebook machines, for example, which some thought would grow by 80 per cent last year grew only about 40 per cent, according to data from IDC Europe. It suggests the overall mar-

cannot match a back-lit display for ket for portable machines in 1991 legibility. ket for portable machines in 1991 was 3.8m units and that the overall market grew by 39 per cent between 1990 and 1991.

> variation between IDC's calculations and those of Market Intelligence Research (MIRC).

Their optimism is justified by the fact that that portable computers seem to be putting the "personal" back into personal computing. A key element of the PC revolution was the freedom from dependence on the data centre that it gave individual users. Now users are seeking freedom from the physical restraints of a

Accurate numbers are hard to come by in the computer business, however. There is, for example, wide

Portable makers are, however optimistic that there is substantial pent-up demand for their products and believe that if the economic gloom lightens, they will see sub-stantial growth through to 1993. desk-bound machine. The breakthrough has come about through a

series of advances in technology

which have made it possible to build

Continued on next page

#### IN THIS SURVEY

High potential in Japan's home market spurs research in portable computer technology. M US manufacturers Dozens of cione-makers enter the fray. ■ Related surveys Details of the FT's 1992 programme of

computer-related surveys M European markets

Notebooks set to claim the lion's share.

11 Computer distribution Pressures force changes in distribution methods.

Many innovative products Power management
The quest for longer battery life.

Screen technology Buyers look for clearer. colourful screens. Memory technology Capacity levels soar. Mandheld computers
More power for the paimtop; case study. E Pen-base systems Optimiatic torecasts

......Pages 6 and 7 E New arrivals. A review of the growing array of models available and who uses them. New applications in business. ........... Pages 8,9 and 10

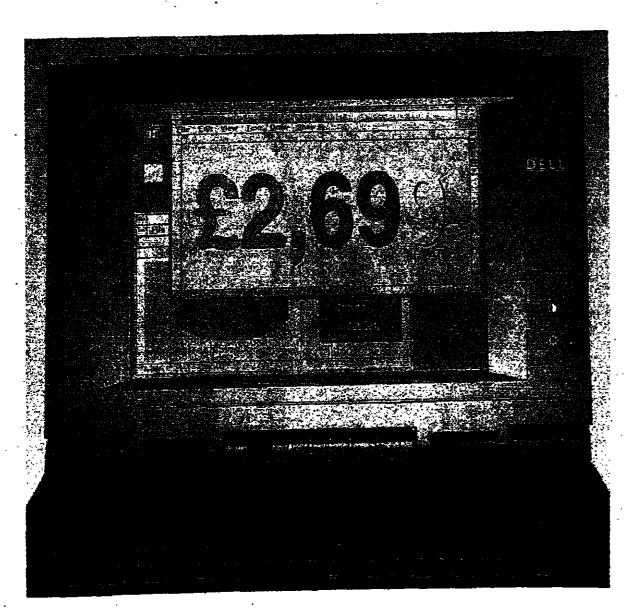
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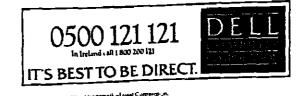
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The large potential market for portable computers in Japan may provide the 'home platform' for manufacturers to make an even bigger impact in world

markets, says Steven Butler

# Strong stimulus for further research in Japan

■ HE international success of Japan's portable com-puter makers is an

In nearly every industry in which Japan has made an international impact, from cars to television sets, Japanese manufacturing companies have first established successful products in the home market. With the home base secure - often effectively closed to foreigners - and products well tested, they moved overseas, modifying products only slightly and achieving greater economies of scale in manufac-

In portable computers, however, the pattern was reversed. Toshiba, formerly an also-ran in the Japanese computer mar-ket, in the last decade established a big presence first in Europe with its innovative IBM PC-compatible laptop comput-ers, then in the US, and finally in Japan itelf.
It was Toshiba's experience

overseas that helped it crack the Japanese market, where it now claims up to a third of portable computer sales.

Toshiba's experience is a reflection of the broader strengths and weaknesses of the Japanese portable com-puter industry. While Japanese PC-makers have built a strong presence in the international market for portables, they industries, simply smashed the

Japan's technology for making computer hardware may be second to none, but for the export market Japanese mak-ers still depend on foreign-de-signed operating systems and software that have not yet caught on fully in Japan itself. Japan therefore has not provided the kind of secure and stable market for computers that has supported other

export industries. Indeed, Toshiba faces a constant struggle to maintain its market share everywhere. It is sometimes trumped by a new product offered by Compaq

NEC believes that only 20 per cent of: potential demand for portable computers in Japan has so far been taken up

failed to keep NEC. Japan's biggest PC-maker, out of its established territory in the por-tables market.

While Toshiba enjoyed a 43 per cent share of the laptop and notebook computer market in Japan in 1989, this fell to 33 per cent in 1990, although its Japanese sales grew by 25 per cent to 250,000 units.

In the current fiscal year, to the end of March, its market share is thought to have fallen again, with sales projected at 225,000 units, according to the

In contrast to Toshiba's experience, NEC, the unchallenged champion of the Japanese market with over 50 per cent of desktop and portable

top machines in Japan have been rapidly growing, has also made a successful launch of its PC sales, has made little impact overseas in PCs. NEC has been handicapped outside Japan by the lack of an internationally accepted com-

puter operating system. NEC uses a proprietary Japa-nese language system that accounts for about 60 per cent of the Japanese market (includ-ing sales by Seiko Epson of compatible machines), but is completely useless overseas. The option of simply exporting what succeeded in the hon

market therefore never existed. NEC's domination of the home market has been eyed enviously by every other man-ufacturer, from Toshiba and IBM to Apple Last year, IBM led 22 other computer compa-nies in establishing a common operating system in an attemp to spur sales.

The system, DOS/V, is a derivative of the MS DOS operating system used in IBM PCs worldwide. It can run software written for IBM PCs and also handle Japanese language applications.
While the new operating sys-

tem may eventually provide a stronger platform for the Japa-nese makers, it also provides an opening in the market for foreign makers who now need to make few adaptations to their machines to make them saleahle in Japan. IBM has aggressively mar-

keted in Japan its PC/55 note-book computer, which uses DOS/V operating system. Compaq is planning to boost its

Powerbook notebook computer, which is manufactured by and designed jointly with And yet, in spite of all of this

activity that challenges NEC, NEC's PC 9800 series computers so far appear unstoppable. Competitors admit that NEC's share of the market for portable computers continues to grow. According to NEC, its

Full-sized desktop machines are often difficult to accommodate in

crowded Japanese share of all PC sales now

comes to 53 per cent, including 38 per cent of laptops, and 37 per cent of notebooks in the first half of 1991.

With 4.84m PC 9800 series computers already delivered to the market, many customers are readily returning for smaller, more powerful versions of the same machines so they will not have to scrap old software and programmes. And while Toshiba was a leader in introducing powerful computers in a small package, the lead has now basically vanished Toshiba's main selling point

that users will have ins access to an international body of software. Yet for most users, the 12.400 software packages

plus the cost of switching oper ating systems will be enough to keep them buying NEC products. The good news for all the companies is that there is plenty of growth left in the market since the penetration of PCs in Japan has been much lower than in Europe or North America. NEC, for example believes that only 20 per cent of potential demand has been taken up so far.

The stunning improvements in the capabilities of notebook computers since they were introduced a few years ago has in itself been an important stimulant to demand in Japan. This is because full-sized desktop machines were often diffi-cult to accommodate in

crowded Japanese offices.
In spite of the poor economic climate, domestic PC shipments were up four per cent in the six months to the end of October, while the market share for notebooks computers rose from 28.4 per cent to 31.1

per cent. Even though demand has probably fallen off in the subsequent months, the prospects for further growth in the porta-ble end of the market will provide plenty of stimulus for computer companies to continue research into areas where they are already strong, including LCD displays, memo-ries, miniature disk drives, batteries and miniaturisation in

The Japanese market could yet provide the platform these companies need to make an even bigger impact overseas.

Dozens of clone-makers enter the fray, reports Louise Kehoe

# US notebook market surges ahead

puters are one of the few bright spots in the recession-plagued US computer mar-ket. While sales of most types of computers have stagnated over the past year, demand for light-weight, carry-along portables is growing apace with the introduction of dozens of new "notebook" models driving

After disappointing sales in 1990, when shortages of disk drives, flat panel displays and semiconductor chips stunted market growth, US notebook computer sales took off last 1.4m units.

By the mid 1990s, annual US rise to 6.2m units according to International Data Corporation market researchers. However, the notebook computer market is not recession-proof. Although sales volumes are growing, prices are falling pre-Dozens of "clone" makers,

searching for more profitable ground as desktop personal computer prices plummet. have entered the notebook computer market offering lower-cost alternatives to the brand-name products that until recently dominated the field.

Apple Computer which entered the notebook computer market just four months ago, has already cut the US price for its low-end Powerbook notebook computer by 12 per

Simultaneously , Dell Computer cut its notebook prices by about 15 per cent while slashing the price of desktop personal computers by up to 38

Other computer manufactur-ers are expected to follow suit, extending the industry's desktop computer price war into the portable computer segment and bringing the average price of a notebook computer down Portable computer market in the US Office staff 19%

US portable computer market have been Compaq Computer and Tandy of the US, the Zenith Data Systems division of France's Groupe Bull, and Japanese makers Toshiba and

Over the past year, however, some 40 or more computer companies launched new portable computer products in the US intensifying competition and driving down prices.

Sitting strangely on the side-lines of the notebook computer market is computer glant Inter-national Business Machines. After several failed attempts to penetrate the portable com-puter market IBM is expected to launch its first "true" notebook computer later this month with an aggressively priced model that matches the performance and features of

competing products. IBM also has agreed to resell portable computers manufactured by Zenith Data Systems, a unit of Groupe Bull as part of its technology sharing pact with Bull.

IBM's entry comes as the focus of the notebook computer market is shifting from the individual purchaser to corpo-

rate buyers. Like their desktop predecessors, notebook personal com-puters were first adopted by

by those who reco value as a business tool. Now numerous US companies are equipping their field personnel sales and custom representatives - with note-

book computers. Large-volume contracts to supply these machines are cov-eted by all manufacturers and deep discounts on list prices are typical.

Even as the pricing patterns

of the portable computer mar-ket are aligning with those of the more mature desktop arena, technology advances are creating opportunities for por-table computer makers to differentiate their products and

avoid the low-margin "com-modity" product trap. Flat panel display technology, for example, is rapidly evolving to create crisper, col-our, high resolution screens for portable computers. Flash memory chips are emerging as a compact and more rugged alternative to magnetic data storage technology-based disk drives.

Power management technology is another area in which computer makers find room to differentiate one notebook computer from the next.

Compaq Computer's latest offerings in the notebook computer category, for example, focus upon the pressing

Gombac chas developed a patential low bowler backlighting system for the computer display, normally the most power-hungry element of a notebook computer. The Compaq lighting system saves up to 50 per cent of the power consumed by earlier display

Semiconductor technology advances are also contributing to the effort to reduce power consumption and extend bat-tery life. The portable computer of the future will incorcommunications' according to many industry experts.

Among US computer manufacturers, Apple Computer is actively pursuing this trend. Last year, Apple filed a peti-tion with the US Federal Communications Commission (FCC) that, if approved, would let computers transmit and receive information over radio waves instead of through a

Miniaturisation of the personal computer has not stopped at the 4 lb to 7 lb "note-

A new category of personal computers that is beginning to show promise is the hand-held or pocket computer. US industry try leaders in this emerging market include Hewlett-Pack-ard and Poqet Computer.

SURVEYS IN 1991:

**Portable Computers** 

another new type of portable computers known as slate computers. These notebook-sizeddevices will replace the famil-iar keyboard with an electronic pen. The user will simply write on the 'slate' or point to icons to select function

£ 10 ÷

Numerous applications are envisaged for these pen-based do much of their work while standing or moving around.

Doctors and nurses might use them to update patients notes or order tests, for exam-ple. Software that enables the computer to interpret handwritten notes has been developed by Go Corporation, a California start-up.

Microsoft, the leading sup-

plier of PC software, is also developing handwriting-recognition software that could be used as an extension of its existing PC operating systems. Grid Systems, one of the pioneers of the portable computer market, offers a slate computer with handwriting recognition

IBM and Apple Computer have both expressed great interest in the potential for this new technology. Market researchers at BIS Strategic Decisions predict that sales of slate computers will top \$1.5bn by 1995 and could become a \$7bn market by the end of the

8.2.91

# Advances in technology

Continued from previous page portable machines without serious compromises over performance or price. Where a combination of por-table and desktop computing is

essential, there are docking pods, desittop units to receive the portable processing unit providing it with better screen, keyboard and communications with other computer systems. There are a couple of cave-

ats: there is some way to go in power management techniques and the development of full colour, high definition screens before portable computers will be the equal of desk-top

High definition liquid crystal colour screens are already available, but in small quantities. They are complex to manufacture. Yields are low - less than 50 per cent, at times -and prices are high. Amstrad of the UK, one of the first of the low-cost suppliers to realise the growth potential in porta-bles sells its ACL 386SX for

£3,999 in the UK. Sharp's equivalent is £5,995; Toshiba's is £5,450. There is a market where conventional IBM clones can be had for £1,000 or less.

Battery technology, despite research which has made possible nickel-metal-hydride and lithium batteries as a potential replacement for the common used nickel-cadmium cells, is advancing more slowly than any other aspect of portable computing. The most promising tech-

nique to data has been power management - controlling software which switches off the power to any part of the computer not actually being used. Rotating disk drives and illuminated screens soak up power rapidly, for example.

The performance of the tiny disk drives found in portable computers has improved remarkably.

IBM, for example, has developed a 3.5 inch drive which it

data. In a short time, the 60 megabyte (million bytes) drives commonly found in today's portables will look like museum pieces. Rotating magnetic memory,

however, may well give way to "flash sprom", semiconductor memory which retains information stored in its circuitry even when the power is switched off. Flash memories can easily be programmed and

Intel of the US, the world leader in flash memory has recently signed an agreement with Sharp of Japan to develop jointly succeeding generations of flash memory chips.

Announcing the deal, Mr.

Richard Pashley, Intel's general manager, looked forward to a portable computer less than an inch thick and weighing only about 250 grammes. At a price of \$200 and with a 200-hour battery life, he thought such machines would be available by the end of the

#### FINANCIAL TIMES RELATED SURVEYS

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#### THE EUROPEAN MARKET

# Notebooks claiming lion's share

not reflected across the conti-

UROPEAN companies Nixdorf's reseller division, have still to make much of a mark in the fastest growing segment of the personal computer market.

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Some 48m personal computers should be installed throughout Europe by 1994 of which almost 20 per cent will be portable, according to the market research consultancy, Romtec; and notebooks will account for 73 per cent of the portable market, equivalent to

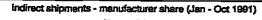
executive director for Siemens their home markets, but it is

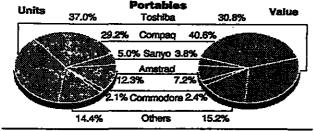
argues that notebook machines are already claiming the lion's share of the portable market and will soon, through superior ease of use, put paid to the

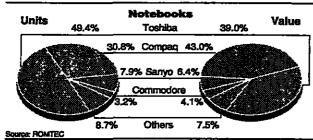
bulkier laptop machines. But the world and European leaders in portable machines are the same: Toshiba of Japan, Compaq of the US and Zenith Data Systems, a US company now owned by Groupe Bull of France.

European-owned companies Mr Bolko Kast, marketing may have a strong presence in

The UK market







Amstrad, for example, leads the UK laptop market with a 32.5 per cent share by volume ahead of Compaq with 18.5 per cent and Toshiba with 17.5 per cent according to the latest fig-ures from Romtec. (By value, Compaq leads and Toshiba is m second place).

The challenge to European-owned suppliers, however, remains to learn to compete with the major US and Japa-

win the major US and Japa-nese producers.

And they will be fighting on their own territory. Toshiba not only sells computers in Europe, it manufactures there as well. Its Regensburg, Ger-many, production facility makes about one third of the Toshiba portables sold in Europe.

The company's investment in the Regensburg plant now comes to about DM80m; it has just begun production of printed circuit boards there. The plant includes research and development facilities. According to Toshiba, "by situating such research and development departments directly in Europe, Toshiba has made sure that despite recent pressure in the portable mar-ket, it will continue to retain leadership of the European

market in terms of technology as well as market share." Compaq has been manufacturing systems for European distribution since 1988 at its 530,000 sq ft manufacturing plant at Erskine near Glasgow

It makes its most advanced portable computers there, partly, it seems to avoid onerous US duties on "active matrix" colour flat panel dis-

plays.
The US government's decision to place a duty on the expensive TFT colour displays gives Compaq and other US manufacturers of high performance laptops a curious prob-

The duty, designed to protect a handful of US manufacturers of similar displays, applies only to separate displays.

It does not apply to complete systems. If a display fails, the company would have a dilemna. Whether to ship the machine out of the country to replace the faulty part, or simply to replace the whole machine so great would the cost be to import and fit a new display.

European makers' best hopes may lie in niche markets, says ALAN CANE

The problem has a echo in the 14 per cent duty charged on semiconductors imported into Europe.
Organisations like the Euro-

pean Association of Manufac-turers of Business Machines and Information Technology Industry (Eurobit) argue that the duty is damaging European competitiveness, adding an average 2.5 per cent to manufacturing costs.

Semiconductors can make up to 60 per cent of the total cost of a personal computer or workstation. Eurobit is asking for the duty to be abolished arguing it reduces investment and the competitiveness of European manufacturers.

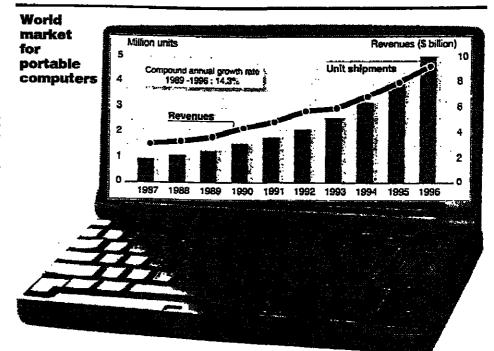
What prospects are there for European-owned makers? There is no shortage of innovation. The UK company DIP, whose handheld miniature computer is the basis of the Atari Portfolio, showed that, as did Psion with its notebook-style Mobile Computer.

Both companies may have been somewhat ahead of the market. Psion, in particular, was unfortunate in failing to co-ordinate the launch of hardware and software for the Mobile Computer. The result was a missed window of opportunity; Psion is now concen trating on its core expertise in handheld devices for personal

and commercial use.

Innovation in personal computing is, however, rapidly giv-ing way to standard technology - microprocessors from Intel, operating software from Microsoft, tiny but high capac-ity disk drives. The secret of success is volume production and effective distribution.

Groupe Bull of France bought its position in portables through the acquisition of Zenith Data Systems of the US; the company has since suffered from distribution difficulties and from declining sales in the



exchange for equity and a promise to take substantial numbers of Zenith portables may prove a turning point for

the company.
Olivetti of Italy designs and manufacturers laptop and note-book computers through its Triumph Adler subsidiary.
Features include a common

"docking station" - a desk-top unit into which portable com-puters can be fitted to give communications and other facilities. There is also an integral mouse pad to drive the screen pointer. The Triumph Adler machines are sold under the Olivetti label but also under the DEC logostyle in Europe. Philips of the Nethercomputer interests when it sold most of its computer business to DEC last year. Now, according to the market consultancy Dataquest, it is fifth in Europe in notebooks. It is also a pioneer in systems which substitute input by fin-ger or stylus for conventional

Siemens Nixdorf announced a high end notebook computer at the end of last year, it has been working with Matsushita of Japan to develop what Mr Kast of Siemens Nixdorf describes as a "mobile desktop" - a docking unit in which A deal with IBM giving Bull Europe. Philips of the Netheraccess to IBM technology in lands retained its personal securely locked to prevent

keyboards. It intends to

announce a product using this

this kind of computer system will eventually replace conventional desk top computers. Europe's best hope may lie

in niche markets. The UK company Husky, for example, spe-cialises in ruggedised handheld computer for use in the field; The Prudential has bought 7,600 to equip its field sales

Logitech, an international company with its headquarters in Switzerland, is developing devices to humanise the computer; it markets a range of mice and trackerballs specially suited to portable computers. It claims its "Trackman Portable" mouse is the most ergonomic available.

THE RECENT tumult in the computer industry has taken its toll on those who distribute their products and many small retailers in the UK have gone to the wall in the current recession.

While the market for personal computers was flourishing, the manufacturers did not pay undue attention to the means by which their products were distributed. Now that the market has become even more fierce, such competitive factors have grown greatly in importance. The computer distribution market looks ripe for change.

Some computer manufacturers such as Dell, the US group which also has a strong presence in Europe, have moved to supply products direct to the end-user themselves. The company argues that by being responsible for the

distribution of its products, it can offer greater flexibility and improved levels of service. But other forms of distribution, such as superstores and mail order look set to account for a growing propor-

tion of computer sales.
At present, however, the market for portable computers in the UK still remains largely in the hands of distributors and dealers, although it is not as yet a highly profitable segment of the personal computer

Toshiba claims it has seen two developing trends in the market for portable computers - "the first is a move towards mass merchandising. As the price of portable computers diminishes, they are increasingly being sold through computer superstores and mail order outlets," it

#### COMPUTER DISTRIBUTION

# **Pressures force changes**

value added resellers (Vars) -which sell individually-tailored hardware and software packages to companies - have also seized a growing slice of the market for portable computers.

"The value added resellers (Vars) are becoming more important in selling an integrated solution as the portable computer increasingly becomes a component of a compa-ny's IT strategy," Toshiba says. The value added resellers are selling a business solution rather

The second development is that allow. Big insurance comparative added resellers (Vars) — nies, for example, are buying portables for use by on-the-road salesardware and software packages to companies — have also seized a such portables are often supplied by the value added resellers who design specialist besoeke software design specialist bespoke software needed to run the sales pro-

> Mr Jan Murray, who runs Vision Technology, a computer mail order company which last year opened the first computer superstore in Europe under the logo PC World, concurs with Toshiba's interpreta-

"I would say that nortable sales are definitely growing compared with other forms of computers. But we have found that it has become a commodity market very, very quickly. Prices are coming down a lot faster than people thought and a lot of manufacturers who piled into the market have found that they have had to reduce prices to maintain market share," he says.

both through its superstore and on its mail order side but he argues that the market is swiftly chang-

ing. He detects a rapid move towards the notebook computers - "laptops are already becoming seen as old

technology," he says.
PC World, which is run from a
30,000 sq ft site in Croydon, south London, sells mainly to small and medium-sized businesses but is also selling direct to individual business

"If you are of a certain status. then you are likely to buy a machine to use in conjunction with desk top machines," Mr Murray

He claims that PC World is performing well and that the super-store concept will be extended this store in the Brent Cross area of north London at the beginning of

But the consumer market for portable computers is generally proving a difficult one to crack. Mr Alan Dickinson, buying director for Dixons, the UK's biggest electrical retailing group, says that the growth rate for mobile computers has not matched the early projec-

Dixons sells most of its mobile computers, ranging from £599 upwards, to individual consumers or small businesses. But he claims there is still considerable resistance to their high price, which can be 30 to 35 per cent higher than desk top computers with identical functions.

John Thornhill

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CONSULTANCY & SERVICES

Software developers exploit growing market

# Widening horizons

MODERN portable computers are now powerful enough to be used for software applications that were once confined to desktop machines. Faster pro-'chips' and more advanced display screen technologies allow portable computers to be used for far more than simple note-taking and 'personal organiser' tasks.

Software developers have recognised an opportunity to exploit a new and growing

Later this spring, personal computer software giant Microsion of its popular Windows environment – version 3.1 which incorporates features aimed specifically at the porta-ble computer market. Microsoft hopes to extend its dominance of desktop computing – with the Windows/MS/DOS standard - to the portable computer market.

Other software developers are keen to exploit the mobility and power of portable computers. Some build on existing applications and others bring innovative new applications to the market. There are signs, however, that there will be differences between the mature market for desktop software and the new market for porta-

Mr Stephen Arnold, chair man and managing director of the UK portable applications specialist Softa, points out that there are different types of por-table computer user and different demands for applications software - "some people want a portable desktop - similar in function to the one in their office. Other portable users want something more job-spe-

Mr Arnold notes that job-specific, "field-force" software applications - such as those used by service engineers and

sales staff - require speciallybuilt software and there is less need for standardisation -"although historically people were bitten by the lack of standardization on the desktop - it is not so necessary on portables - especially if you have to develop special applications

"Many players in the porta-ble computing market are offering high-quality proprietary software. In the end, it is the context of the application that dictates what software you use - so you don't need to blindly assume that it must be

standard MS/DOS," he says. There are other signs that MS/DOS might not achieve dominance of the portable mar-ket. Toshiba, the Japanese manufacturer which dominates the portable computer market, would no longer 'bundle' MS/ DOS with its computers allowing purchasers to make their own choice.

And companies like Psion. which produces a range of hand-held computers, have equipped them with their own proprietary operating software. Despite this, it seems likely that MS/DOS - and, when the new version arrives, Windows will be the basis for much of the software for portable com-

"The power of portables has improved so much that we can offer a full Windows environment now." says Mr Mark Edwards, Windows product manager at Microsoft in the UK. "We are introducing three specific features which will be important for portables: advanced power management mouse 'trails' and optimised backgrounds for LCD screens."

The power-management features will be particularly welcome. Battery life on portables has improved - but it still needs to get better. The new Windows environment will be able to detect when the screen and disk drive are not being used and turn them off to conserve power,

.The mouse 'trails' make it easier to keep track of the cursor on the screen by leaving a trail of cursor marks. And the special backgrounds will make screens more readable. Established software devel-

opers are happy that MS/DOS and Windows will make the transition to portables and are building applications in key

Nextbase, a UK software specialist, has created Autoroute Express, a route-planning application, which sits well on

Software suppliers are introducing innovative products for portables

a portable computer – even the hand-held Poget computer. "Our software is widely used on portable computers." says lan Mercer, managing director of Nexthase

Autoronte is, essentially a simple application which lets you work out the quickest or shortest route from one town to another. The product covers all of Europe and the US -with more detailed versions for the UK and France. Directions and maps can be viewed on the

screen or printed out. "We recognised the potential for the product on a portable and built the software to work well in a low-performance com-puter," says Mr Mercer.

Looking to the future. Mr Mercer says that the company plans to bring out a version for Microsoft Windows - "in my opinion, MS/DOS and Windows are so universal that they will be much more popular than

proprietary systems. People don't want to have to learn new ways of working."

Nextbase also intends to exploit the advantages of por-tability by using the emerging Global Positioning System (GPS), which uses satellites to transmit longitude and latitude co-ordinates.

"The price is still high - but it won't be long before it tum-bles down to below a \$1,000. We have done some work into putting GPS into the Autoroute software. Then you will be able to see where you are on an on-screen map," says Mr

Other software companies are working on the communications potential of portable computers. Kerridge Network Systems, a UK communica-'first' with a British-designed high specification modem for portable computers which comes with a wide range of software outlons.

We have worked closely with Toshiba to develop com-munications software for the corporate environment both for remote and loc al connections," says Mr Nigel Hawley, general manager of Kerridge Network Systems.

Kerridge's products allow a portable computer to work like an old-fashioned terminal to a large mainframe system or as a participant in a local area nethardware which allows us to change the function of the modem using clever software. You can connect simultaneously to a remote mainframe and, say, a viewdata system," explains Mr Hawley.

The Kerridge range brings portable computing full circle giving it the potential to form an integral part of traditional data processing applica-tions. This will certainly help to put portable computers alongside desktop computers as 'windows' moves into the corporate network and beyond. It might even mean the evenappearance of the desktop computer altogether.

Philip Manchester

## Research intensifies to improve power management

# Quest for longer battery life

AS PORTABLE computers have shrunk in size and weight, more attention has been focused on one of the less glamorous parts of the PC: the

power supply.

Almost all portable computers, except for heavyweight transportables, depend upon batteries to supply the power they require. This means that there are only a limited numher of options for extending operating life between replac-ing or recharging batteries. Unfortunately, battery tech-

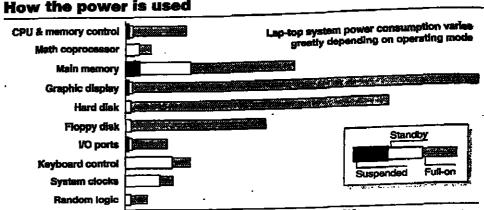
nology has lagged behind developments in almost every other sector of electronics. Analysis bemoan the fact that battery technology for porta-bles has improved a paltry five

per cent a year. Except for palmtop computers (the babies of the portable computer family), most porta-bles use rechargeable nickelcadmium batteries. Generally, they can only provide enough power between charges to keep notebook PC running for between one and three hours, depending upon usage. More power could be delivered by arger batteries, but this would

Nickel-cadmium batteries have several other disadvantages. Chief among these is the so-called "memory effect." Unless they are fully dis-charged before recharging they gradually loose capacity - or

the ability to be fully recharged. Several alternatives have been tried, but have generally either proven to be unstable or have shown little power-to-weight advantage over NiCad cells.

Lithium cells pack four times as much energy into a given size and weight than NiCad batteries but can be very volatile - one Japanese businessman's lithium-powered portable telephone report-



Power consumption (W)

edly exploded while he was

So far, the most promising, and safer, alternative has been nickel-metal hydride powerpacks initially developed in Japan by Sanyo. NiMH bat-teries have recently started to appear in new portables including those from Toshiba and Dell. Manufactures claim they can extend normal use operating time over NiCad batteries by up to a third and have the added advantage of being more environmentally friendly

Some indication of the expected demand for these new powerpacks is given by Matsushita, one of the big four Japanese battery-makers, which began producing NIMH batteries in late 1990 and said in November that it expected to quadruple production by the middle of

However, the limited progress in battery technology has forced portable computer manufacturers to turn to other solutions to extend operating life between charges.

Until recently, most attention has focused on software implemented power managenent and on reducing consumption by using low power components like the CMOS chips - which made the first laptops possible - or highly integrated components.

Toshiba pioneered software power management systems by introducing features like autoresume, pop-up battery power indicators and battery-backed "hard RAM." Other power manage ment systems switch off power-hungry components such as screens and disk drives when they are not being used: some also monitor battery

recharging. Software-based power mangement solutions can enhance battery life, but some risk introducing compatibility problems, and more fundamental solutions are required to achieve the substantial power savings which portable PC

agement systems therefore lepend upon a combination of hardware and software features. The most dramatic recent development in power management has been the complete redesign of the 80386 chipset by Intel to produce the power-saving Intel 80386SL chipset unveiled at the end of 1990. The first notebook computer to take advantage of the new Intel chipset was the

IN YOUR

DIARY

FOR APRIL.

Zenith MastersPort 386SL unched last July to popular Other manufacturers includ-

ing Toshiba, Sharp, Compaq and Dell have now launched 386SL-based notebooks. Dell's machine, the System 325NC, is a colour notebook using the 386SL 25Mz chipset and a Delldeveloped power management application specific integrated circuit (Asic) resulting in battery life of up to three hours of normal use - longer than

many monochrome machines. Zenith itself has launched a faster, second generation machine, the MastersPort 386SLe running at 25Mz. The US-based company, which is now a subsidiary of the French Groupe Bull, reached the market first because it had worked closely with Intel during the design phase and had a head start in designing the operat-ing system necessary to take advantage of the SL's special

**Options for extending** the power of batteries are still limited

features. The SL chipset is actually two chips replacing 11 components in the standard 386 design, but the real key to 386 design, but the real key to the way it saves power is its ability to switch sections of the computer off which they are not being used and run them slower when peak performance is not required.

The use of an in-built 64k processor cache also helps by reducing the need to provide the standard RAM (random-access memory) with more than

cess memory) with more than a drop of power.
"What is special about the

SL is not the power it uses, but the power it does not use," says a Zenith official. What is more, the sophisticated power-management systems are mostly "transpar-

not even need to be aware of Using the chipset, the Zenith MastersPort SL machines have three power modes: in use, standby (which is equivalent to dozing), and sleep, which is like being in a coma but not quite dead.

ning flat-out with disks whir-ring and screen on full bright-ness, there is little if any power-saving over the standard 386 chipset. But when the

by-state, its power consump tion drops to about 15 per cent of the peak rate. In this state most of the  $m_{i,j}(n)$ 

essential functions are kept alive and some of the hardware runs very slowly, but moving a mouse or touching the key-

board is enough to arouse it. By contrast, in a 'coma' almost nothing runs and power consumption falls to just 0.5 per cent of the peak rate. In this state the processor slows to 1Mz, essential data is stored safely away and the machine is

all but switched off. But it can be revived almost instantly either by pressing the power button or by a timer utility and returns to exactly the same place and function as when it powered down. Using a setup facility in ROM (read-only memory), the power switch can be configured either to trigger the sleeping state, or to turn the computer off in the

The setup facility also pro-vides user access to the machine's other power-saving features Zenith is properly cautious

about making exaggerated claims for its machines; how-ever, in 'coma' mode, the batteries would last about a

More importantly, powered-up and in normal use, they should last six hours or effectively a full working day. even when running dows."

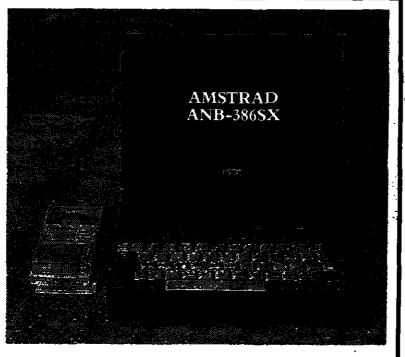
Toshiba, which launched its rival T3300SL 25Mz machine with NiMH batteries last month, said the SL chip offers "power management facilities similar to those pioneered by Toshiba on previous portable PCs," and will give a battery life of up to four hours.

Some analysts are already predicting that shipments of SL chips will overtake shipments of standard 386SX chips in the notebook market segment within a few years.

But Intel is unlikely to have arch-rival, AMD, has developed microprocessor technology which it claims will double th battery life of a portable PC without compromising proces-sor performance. The new devices, which follow the Intel's DX and SX architecture, are designed to operate at 3.3 volts instead of the normal 5v and thereby also allow the use of low-cost alkaline batteries.

**Paul Taylor** 





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CRISPER, clearer colour screens are increasingly in demand from portable PC users, who no longer see their machines as executive toys. Some users want to take advantage of more powerful colour software programs, some want to make a splash in business presentations and some simply want to join the in-crowd.

Now a handful of personal computer manufacturers is trying to meet that demand with high-definition, flicker-free active matrix displays. Until now, users have had to suffer a variety of slow, low-resolution liquid crystal displays (LCDs) using passive matrix technol-OZY.

coterie are Sharp, NEC and Toshiba with its 80486-based T6400 machines launched last

The T6400s use the first active matrix screens from Display Technologies, the joint venture set up by Toshiba and IBM Japan, two years ago. So far, the duo is believe have invested £214m in the

technology and these 10.5 ins screens are the project's first The largest TFT (thin film transistor) screen so far manufactured, at 16.5 ins, was shown in Japan last month by Sharp.

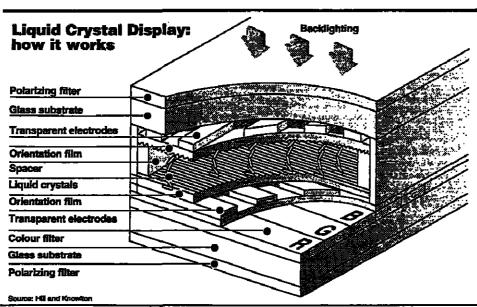
but neither this nor its 14 ins screen, seen two years ago, is yet in mass production. Both passive and active matrix displays work on the same principle. By illuminating the right combination of pixels behind red, green and blue filters, they create the illusion of colour in the same way that colour photographs do in a newspaper

But active matrix displays use three times as many pixels. each one controlled by a separate transistor. This index dent control prevents light bleeding into neighbouring pixels to change the colour mix. Active matrix screens are also sensitive to tiny change in voltage, so they can display many thousands of subtle colours, depending on the soft-

ware drivers. This, combined with the independent control of one transistor per pixel, makes them brighter, with better contrast and colour saturation than passive matrix screens. But active matrix displays -

using thin-film transistor technology – are difficult to make. To produce a TFT screen to VGA resolution (640 by 480 pixels) requires about a million individual transistors.

Not surprisingly, manufac-turing defects are high and the



SCREEN TECHNOLOGY

# Strong demand for clearer displays

result is many dead pixels. Because light can pass through these, thin-film transistor screens become punctured with distracting points of light. Despite manufacturing improvements in the past six months, only 40-50 per cent of new TFT screens – which must be made in a single sheet

– are usable. Sometimes the yield is even lower. Until recently more

'In many ways, the intense and growing customer-demand for colour portables is illogical'

than 90 per cent of screens were scrapped because of pixel damage, even though some manufacturers allow up to 10 dud pixels per screen.

As a consequence, the price f TFT portables is high: at £6,000-£7,000, two or even three times the equivalent of passive Besides passive and active

matrix screens, there are two other relatively common technologies in use: gas plasma and Unlike LCDs, which need back or sidelighting, gas own light. A gas discharge trapped between two layers of glass generates the characteristic copper-coloured text on an almost black screen.

One particular advantage of the technology is that the screen refresh-rate is fast. This means users will not "lose" their cursors in Windows-type For the cost-conscious buyer,

the price of gas plasma porta-bles is considerably less than active matrix systems. Toshiba's gas plasma T6400 runs £2,000 cheaper than the TFT version, at £4,500. IBM, NEC and Grid still offer gas

plasma machines. Electroluminescence (EL) is ess popular even than gas plasma, as EL screens tend to he nowerhogs. They do have certain advan-

tages, though: the refresh rate of their yellow and black screens is particularly fast and they are cheaper than TFT Electroluminescence can

ilso support much larger resolutions than TFT: Toshiba's Sparc LT laptop workstation for programmers, for instance, with its 12 ins Sharp screen, has a resolution of 1,152 by 900

Two relatively new screen

LCDs and metal-insulatormetal (MIM) screens - have yet to make their way into full commercial production, but could eventually supplant TFT

technology.

The first ferroelectric LCD, demonstrated last autumn by Canon, was a monochrome screen with a resolution of 1,310 by 960 pixels. Canon expects to manufacture colour

'Buyers should seriously consider monochrome portables before plumping for colour'

screens, too, at an even better resolution and up to 24 ins in

tion of ferroelectric LCDs (FLCDs) may be three years or more away, these screens are likely to be significantly cheaper than TFT systems. Sharp, one of the market aders in screen technology, does not yet manufacture FLCDs, but has gone as far as

say that they will probably be the displays of choice for future portables. Portable personal computers,

(MIM) screens, are likely to offer brighter whites and may eventually be cheaper than TFT machines. Again, however, mass production techniques for MIM screens have yet to be devised. The first prototype MIM notebook, from Seiko-Epson.

us<u>ing</u> metal-insulator-metal

was shown in the US last year with a price tag of about £4,500. As far as buyers are concerned, the precise technology behind portable screens is immaterial. But they do need to know what to look for: clarity, brightness and contrast control are important, to enable users to run the

ing conditions. Response time, too, is worth investigating, especially for power software such as Win-

e under different light-

Something else to look for, especially if the machine is needed for presentations, is a screen that can be seen from a wide viewing angle.

Perhaps the key question buyers should ask is whether

they need colour at all. The demand for colour is certainly high, say manufac-turers, which will keep the cost of colour portables up for a

year or two at least.

"Consumers are expecting the cost of these machines to fall quicker than it's going to," says Mr Yan Edbrooke, prodmanager for Apple's notebook computers.

"Demand is stronger right now than the production tech-nology can deliver, a phenome-non that'll last through 1992." In many ways the intense demand for colour portables is illogical. Toshiba research shows that

70 per cent of portable users are interested only in word processing. So buyers should seriously consider mono-chrome portables before plumping for a colour machine simply because it looks good. Moreover, unless buyers can afford the best - which really means TFT at £6,000 plus they will have to make do with dimmer, slower, fuzzier, passive matrix screens. And the colours on many of these are poor, says Mr Nick Phillips,

borough University of Technol-"The screens on portables that I've seen are an insult to the intelligence," he says.
"Those companies that have tackled the attempt to get good black and white have done the right thing."

Application case study

Handheld system

or of physics at Lough-

MEMORY TECHNOLOGY

# **Capacity soars**

SEMICONDUCTOR technology is readily predictable. This makes it a relatively simple task to work out what the future for portable computer ory capacities will be like. The real question, therefore, is not how much memory can be made available, but how it is to be exploited.

Random access memory (RAM) chips, the most com-monly used in personal computers, now hold 4 megabits (MBits) of data, equal to 0.5 megabyte (MByte) or roughly equivalent to some 85,000 words. Over the next year, the first examples of chips with four times that capacity, 16Mbits. (2 MBytes or nearly 350,000 words) will start to

appear.
Top-end portable computers already come with around 4 Mbytes of RAM as their main user memory, so it is relatively easy to predict that this will rise over the coming years to 16 Mbytes, and then 64 Mbytes (republic 10m morade) MBytes (roughly 10m words). The same chips can and will be used in smaller portable

computers as well, such as the popular notebook machines, and the handheld 'palmtop and pen computer systems. In terms of memory capacity and processor performance there is now only one technical reason why the capabilities of the largest desktop PC cannot be put into a palmtop

machine, and that is the display technology available. There was one other technol ogy hindering such a development, the magnetic disk drives used for on-line data and pro-gram storage, but at a technigram storage, but at a technical level this has largely been overcome by the growing availability of cards built to the standard defined by the Personal Computer Memory (PCMCIA), which numbers over 180 computer companies in its membership, many of

them leaders in their field. This standard exploits the increasing capacity and functionality of semiconductor technology to, at the base level, provide an alternative to the magnetic disk drive for small portable computers. The technology developed for the PCMCIA standard,

however, is capable of provid-Steven Sonsino ing much more than just memory capacity. It can couple

that capacity with additional functionality and intelligence. This is not to suggest that the magnetic disk drive has lost its role in portables. The technology continues to be developed aggressively, with both the physical size of the units and the cost-per-megabyte stored coming down rapidly.

Physically, disk sizes of 2.5 ins diameter are now commonplace, with capacities of 20 MBytes and 40 MBytes now typical. This will rise to 60 MBytes and 80 MBytes this year, according to leading drive manufacturer. Conner Perinherals.

At £10 per megabyte stored on a Conner 40 MByte drive, it is impossible for semiconductor technology to beat disks on price. In terms of size, unit price and capacity, therefore, the majority of laptop and notebook portables will still be using magnetic disk drives.

Their one major weakness –
power consumption – will be
tackled in part by the reduced
physical size of the drive

Further big increases in portables' memory capacity are on the way, says **MARTIN BANKS** 

motor and actuators needed and in part by improving software to manage the power consumption. There is little chance, however, of this weakness being overcome sufficiently to accommodate the needs of the growing palmtop omputer market.

Users here are seeking longer than three to four hours working life from their bat-teries, a capability the smallest hard disk drives cannot provide, even if the latest developments of 1.5 ins diameter disks means that creditcard-sized units can be pro-

It is with the palmtop machines that the PCMCIA standard card format is starting to make an impact, starting to make an impact, though its presence is starting to be felt in motebook portables as well. The standard defines a physical form factor for add-in cards—about the size of three or four credit cards stacked one on top of another all also defines the another. It also defines the connector pin-out and what can be achieved with them.

The objective, as with all standards, is to have as many hardware suppliers using it as possible, thus creating a mar-ket for card suppliers in all their guises. This is greatly halved by the converges level. helped by the convergence last year of PCMCIA standards with those of the Japan Elec-Association, (JEIDA).

The two are now claimed to be fully compatible, allowing JEIDA-standard cards to be used in PCMCIA-compliant computers and vice versa. The most obvious guise for PCMCIA cards is as a hard

disk alternative. Here a vari-

ety of solutions are on offer, including battery-backed RAM chips linked together as a module.

More recently, flash memory technology, a variant of electrically erasable programmable read only memory (EEPROM) technology from companies such as Intel, has come to the fore. For system designers, the trade-off between the two is capacity, price and flexibility.

RAM-based units currently hold more data, but need to have a small lithium battery as part of the card design, in order to maintain the data as stored. Typical capacities to date are up to 10 MBytes per card, though Santa Clara, California-based SunDisk, the company of PCMCIA presi-dent, Mr John Reimer, claims the lead with a 15 MByte card. Predictions are for 100 MByte cards to be available

within three years, though these will not beat magnetic disks on price per megabyte stored. Flash memory, on the other hand, retains the data as a read-only memory (ROM) does, without any need to keep refreshing it, but allows the system to re-write the data as required. This is analogous to magnetic media

According to Mr Reimer, the most important aspect of PCMCIA is as a prompt for entirely new developments, particularly in applications software distribution. Companies such as Lotus Develop ment Corp have already ported its 1-2-3 spreadsheet to this format with success, where the application code is held in ROM together with RAM chips for the data the application

Mr Reimer expects many other applications providers to follow Lotus' lead, especially as its joint effort with Hewlett-Packard in the development of the HP95LX palmtop has led to sales of around 50,000 units per month.

As the latest, Version 2.0, of the PCMCIA standard absoincludes the definition of other input/output capabilities, the potential opens up for combin-ing memory with other func-

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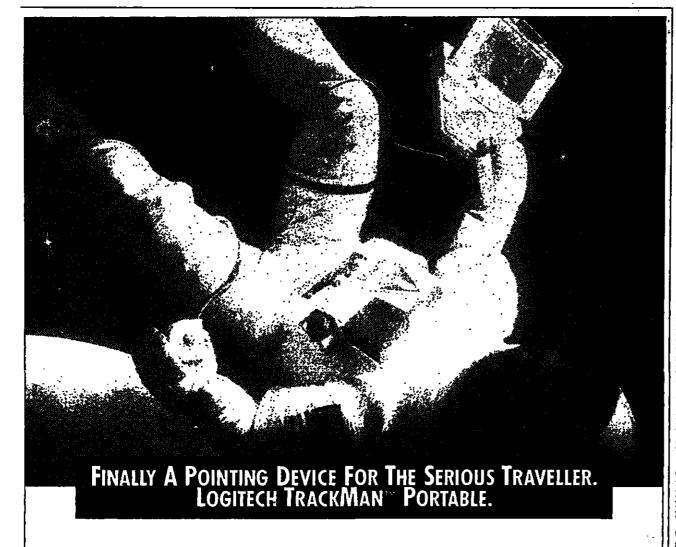
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At present, cards offering fax/modem and local area network capabilities are under mer says, "developers are limited only by their imagination in what they can now produce: with PCMCIA technology." One of its most interesting

advantages stems directly from its exploitation of semiconductor technology - "we are reaching a point where the data held in a card memory is worth more than the cost of the system that generated it." the technology, these cards can withstand a 500g drop and still function. A paintop or pen computer can easily be dropped, breaking the machine and losing the data. With PCMCIA cards, that data can be recovered by putting the card in a new machine." the card in a new n



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rect sales in a single force. The precedents were not

helps cut costs

IF NOTEBOOK computers are the thoroughbreds of the porta-ble computing stable, handheld machines are the workhorses. Limited in functionality but easy to use, light in weight and low in cost, they are suited to a range of business purposes for which larger machines are either too sophisticated or too

Or perhaps too bulky and inconvenient for easy use by a salesperson. Gallaher, the UKbased international group with its origin in the tobacco busi-ness, thinks so, anyway. Its involvement with handheld computers for its sales force stretches back 13 years and it is already debating plans for its next generation of systems. The company is one of the world's largest tobacco enterprises but it also has extensive

interests in spirits - Vladivar vodka is one of its brands optical products, retail distribution and houseware.
It is a sophisticated user of computer systems for conven-tional data processing; its involvement with handheld

machines, however, takes it into more controversial areas - strategic use of information technology for competitive advantage and alignment of IT strategy with business strat-The tobacco business is on that is not.

the decline but that is not, according to Mr Michael Friend general sales manager, reflected in Gallaher's performance. It has about 40 per cent of the UK marketplace and is selling more cigars and cigarettes than ever before — but in a different fashion.

Tobacco is not immune from

the sweeping changes that have changed the face of retall distribution. Independent retailers now tend to obtain their stocks from cash and carry operations or from wholesalers, while the large chains are increasingly turning to centralised warehouses. Evidence of the change comes from the decline in the

number of Gallaher's direct accounts: from 50,000 ten years ago to around 19,000 today. Gallaher's response was to look for a better way to deploy its 250-strong sales team. It believed it could improve efficlency and service by combining the roles of direct and indi-

encouraging. Gallaher's competitors had tried similar moves with only limited suc-cess. It made sense, therefore,

to carry out a large-scale trial in a single region before rolling out the new approach nation-

The region chosen was West-ern Division; the trial began in 1989. Gallaher's first experience of handhelds was with a simple device, the M55, marketed by Unilever Computer Services, since taken over by Electronic Data Systems of the US. Interestingly enough, the group's move into handheld computing was not driven by one of the company's young turks, but by Mr Tony Good-burn, a sales engineer of mature years who has since

sophisticated machine devel-oped by Victor Technologies part of the Tandy Group based in the US. Victor was a pioneer ness, but lost its way in the 1980s. Under Tandy's ownership it is recovering its bounce it is, for example, one of the leaders in portable computer systems in which keyboards are replaced by handwritten

nput. The Victor machines allows sales people on the road to place orders from customers and print invoices as well as receiving messages through electronic mail. Printing the invoice is a big plus, saving hours of paperwork. It also calculates VAT automatically.

At the end of the day, the sales people send the result of their endeavours to the company.

ny's main computers at Northolt, Middlesex, over the telephone network. There is no abling or interfacing to worry about; the computer is laid on a "plinth" - essentially, a telephone terminal equipped to receive information from the computer through an infra-red link. Mr David Adams, sales programme manager, notes the importance of a lack of obvious or complex equipment where salepeople are working from

The trial has been a success; Gallaher executives say it would not have been possible to combine the two sales forces in one without the computers. The reason, Mr Adams says, is the amount of paperwork necessary for each kind of account. Different order and

invoices are used for direct and indirect sales. Both are stored in the computer and called up at the press of a key. Without electronic help, the salesperson would risk drowning in paper



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machine is growing rapidly.

Prudential Insurance has just placed what it claims is the

world's largest order for hand-

held computers, spending an estimated 27m for 7,600 Husky

Hunters to improve the reli-ability of data capture and

reduce the time between col-

lecting data and sending it

back to a local or central office.

The computers will replace the old paper-based collection book

carried by the insurers'

Overall, the paintop com-puter market is becoming

increasingly competitive, but it

is also still a young and diverse product market with

few established standards. It

may therefore be some time

before it matures and becomes a cut-throat commodity-type

market like those for larger

Inevitably, the human body

imposes limitations on the workable size of screen and

keyboard which designers have

so far failed to overcome. As a

result, palmtop computers,

even the latest generation, are designed around a series of

Some analysts predict that notepad computers will grab 20 per cent of the portable market by the mid-1990s — overtaking palmtops themselves. Communication between the communication and communications are computed to the communication of the

nication between computers,

including palmtops, is also

likely to become simpler and more automated. Several man-

ufacturers, including NEC and

Poqet, have already developed radio communication versions

of their portables and Hewlett-

Packard's palmtop includes an infra-red "window" in its cas-

ing which allows it to commu-

nicate without wires with

the palmtop with a cellular telephone or other wireless

transmitter raises the possibil-

ity of computer-to-computer

communications anywhere

The latest palmtops are

already a far cry from their

before the dream of real pock-

et-sized computing power becomes a reality. What is cer-

tain is that this, too, will come

Paul Taylor | surroundings.

sooner rather than later.

other HP machines.

without any cables.

door-to-door

computers.

HANDHELD COMPUTERS

# More power for the palmtop

LITTLE MORE than a decade ago, the only "portable" com-puters were the size, shape and weight of luggable sewing machines, and IBM PCs, with 64K of memory, were just beginning to grace office desktops. Since then, technology has enabled computer manufacturers to pack more and more power and memory into ever-smaller boxes and make the computer-on-a-chip all but a reality.

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Laptops replaced the early transportable computers, and then came the clam-shell note-book computer. The latest notebook portables boast our screens, massive hard disks and Intel 80486 processors, giving them the power of fastest desktops, all in a package smaller and lighter

For some users, however, it seems that even the notebook computer is too big to carry around. Enter the palmtop, or handheld computer, some of which are little bigger than a large sardine can and weigh s than half a bag of sugar. A growing number and variety of palmtop computers are now available. Some offer little more than the features of an electronic organiser, while others cater for specialist niche markets such as on-site data collection. But many of these are now beginning to mimic the full-function desktop com-

According to some analysts, the worldwide market for hand-held computers will be worth £3bn by 1994. At the same time, palmtop machines are already taking a larger share of the portable computer market. Zenith Data Systems has estimated that palmtops share of the portable market will reach 10 per cent by 1995.

The paintop computer market was pioneered in the late 1980s by Sharp, the Japanese consumer electronics giant which claims to have invented the electronic organiser, and Psion, the UK-based manufacturer of the successful Psion

Some machines, such as the Casio SF9500 and the Sharp IQ range, clearly derive from the early electronic organisers which began to replace the cal-culator and paper-based personal organisers a few years ago. One, the Kyocera Refalo, actually comes in the form of a ring binder. Typically, these machines are equipped with built-in functions such as calculator, clock, address book, scheduler and notebook usu-ally accessed via a set of dedicated menu keys, that are now

sophisticated machines, like the Sharp IQ



instant price-checks on a Psion point-of-sale system

8000. use plug-in flash E-Prom cards to expand memory and provide other tailor-made programmes including spread sheets, translators, and speci-alised scientific and business calculators - thus, one for the Sharp will calculate the size of radiators needed in a central heating installation. Although they generally do

not run industry standard software, most palmtops can also

> Some handheld machines are beginning to mimic the full-function desktop computer

computer via software and a hard-wire link or over the telephone line using a modem. Since most of them have small and difficult to use keyboards, downloading data from the office machine for use while on the move is a particular attrac-

A second group of machines has begun to appear on the market in the last year or so. These can lay claim to be more like shrunken full-function desktops - although nearly all have some limitations in terms of absolute compatibility. This group includes Sharp's recently unveiled but not-yetreleased PC3000 video cassettesized palmtop, the Hew-lett-Packard 95LX, the Poqet PC, the dip Pocket PC, the Psion Series 3 and the Microwriter AgendA. The first four run MS-Dos or an equivalent from Rom memory chips and

each other, all have some spe-cial features. The British-built Psion Series 3, the successor to Psion Organiser, uses a PC-style processor but does not run MS-Dos. Instead, it can be programmed in a basic-like language that Psion calls OPL.

software - but with some limi-

tations due to Ram memory size and the physical limita-tions of keyboard and screen.

Though most of the new batch of machines resembles

Its powerful built in applications, which include a spreadsheet compatible with Lotus 123 and a word processor compatible with Microsoft's Word, can share data with pro-grammes on a PC and files are saved to its two Flash E-Prom memory card slots in MS-Dos format. The AgendA is distinctive

for several reasons, including its innovative rapid entry microwriting language - sub-stituting just five keys for the usual 26 needed to produce the full range of letters, and its screen which unlike all the others is not in a hinged lid. As for the Sharp 3000 and the Poqet PC, their liquid crystal screens, while still not of VGA standard, are able to display a

full 80 columns by 25 lines. However none of the screens is backlit, which saves battery power, a precious commodity. In general, the new palmtops manage to run for between 40 and 120 hours on small AA bat-teries or Lithium packs aided by a high level of integration, low power consumption chips and advanced power manage-With the exception of the AgendA, all come with someent qualities and are generally more appropriate for short memos than for producing large documents. All provide built-in functions such as address books, calculators, dia-ries and notepads or slimmed down wordprocessors, often under a dedicated menu key, while some boast additional features including tone telephone dialers, communications programmes, databases and

The Pocket PC, with its single expansion card slot, is equivalent to the Atari Portfoio and can run all the Portfolio's software cards. With eyes clearly on the individual business user several offer Louis 123-compatible spreadsheets and the HP 95LX comes bun-dled with a version of Louis 123 itself. Most either produce files which are compatible with desktop applications or will convert files into formats that can be used by other machines. Removable memory cards are also a common feature, together with software and cables to allow them to be hooked up to modems, printers and desktop PCs.

Most of the machines still use proprietary slot-in cards for memory and additional software applications but a de facto palmtop PC standard is emerging. The Hewlett-Pack-ard, Poqet and Sharp palmtops all come with new Flash Ram memory card slots conforming to the PC Memory Card Interface Association and an optional PCMCIA card adapter is available for the Pocket PC. These lightweight cards, the size of a small stack of credit cards, can be read-only or read-write and hold up to 2Mb of data at present although larger capacities, up to 64Mb, are on the drawing board.

PCMCIA cards are expensive at around £350 for a 1Mb card, but prices should begin to drop more manufacturers adopt the standard. An external card drive can be bought for about £185 and plugs into the parallel interface, allowing data to be exchanged with a desktop — or another palmtop.

A third specialist group of hand-held computers - some derived from machines mentioned above - is designed pri-marily as data collection devices or for use in industrial or other non-office environ-ments. Psion, Tandy's Victor Technologies/Grid subsidiary and Husky Computers among others manufacture hand-held machines used as portable input/output devices mainly by meter readers, market using a bar code reader or

other input device.

The pen is mightier than the sword," according to famous saying by Baron Lytton (1803-1873). The pen may also prove a more powerful tool than the computer keyboard if pen-based computer systems turn out to be as popular as many manufacturers and industry analysts now predict.

Pen computers come in several guises, although most are electronic tablets which resemble a Victorian school slate, complete with a stylus or "pen". The pen is used to write free text, full in boxes or indicate sections of diagram on the computer screen.

Such systems generate excitement because they enable the most keyboard-illiterate, from the chief executive to the humblest blue-collar worker, to exploit computer technology.

Pen computers are being developed in both the US and Europe. One of the latest, from Momenta International of California, is a hybrid system, incorporating a keyboard as mell as a pen. This, says Mr Mike Daly, former managing director of Grid Computers in the UK, makes it ideal for applications such as business planning or for editing and

Other types of pen PCs fall into three categories. Machines in the first category are intended for verticle applications, where customised software enables engineers,

burses or surveyors, for exam-ple, to gather data.

One application using the Gridpad machine, from Victor Technologies, part of the Tandy group, is for crash assessors from motor insurance companies. It uses the Gridpad to calculate the cost of repairs by displaying expanded vehicle diagrams on the

By touching individual com-

nonents on the screen with the pen, the machine automatically records the parts that need replacing. This data can then be sent over a telephone The prospect of combining line directly to a mainframe computer where the price of the replacement part and labour costs can be calculated.
A similar package, to enable surveyors or architects to collect data on the site of a refurbishment project, is under earlier portable cousins, but there is still some way to go system, by SurvSoft, of Wes-ton-Super-Mare. By indicating the appropriate component from the diagramatic selection of walls, floors and ceilings that are stored on the handheld machine, the surveyor can build up a picture of the

PEN-BASED SYSTEMS

**Optimistic** forecasts

> The appropriate measure-ments are inserted by calling up a calculator pad on the screen and then indicating the appropriate figures. The plan can then be fed back into the computer system in the office. More sophisticated than

these are machines which can actually recognise handwrit-ing. Although most of today's systems can recognise letters or numbers, and can store signatures, the ability to use a pen PC like the traditional notebook and pen is still some way off. Mr Chris Fell, an analyst at information technology research group Dataquest, pre-dicts it will be 1994 before such systems become reliable enough to find widespread

reprance. The third category comprise the simplest systems, which are intended for applications ere a paper copy is required but where a printer would be

Pen-PC from Victor

cumbersome or too expensive. One example of such a machine is the ScriptWriter produced by Peripheral Vision of the US. It can be used for taking down an order, and leaving a hard copy with the

erson placing the order.
Or it can be used by traffic wardens: as the warden writes down the details of the ticket on the sheet of paper placed on top of the board, the pressure registers the same information car registration plate, for example - into the computer memory. Once the warden returns to base, the details can

be fed into the main computer Because the application requires little more than a

simple form to enable the warden or salesperson to take down simple details, these electronic clipboards are considerably less expensive than their more sophisticated counterparts, and therefore are finding more widespread applications with blue-collar

Mr Bill Clough, president of Microslate, the Montreal-based pen computer maker, points out that in North America the white-collar market is 95 per cent saturated with computer technology while the blue-collar workforce is only 11 per cent saturated.

In Europe the situation is different. Mr Alasdair Macgregor. UK marketing manager for workstation systems at NCR, says that companies such as his are aiming at the white-collar worker because that is where most corporations will get the best return on investment.

One factor which could inhibit the growth of the market is any dispute over the operating system used in penexample, uses "windows" soft-"icons" appear on the screen. moted by Microsoft with the Pen Windows version of its popular Windows software environment. This will enable cations developed for desktop computers for use on pen computers. But many believe its lifespan will be limited.

More promising in the lonthe Penpoint operating system developed by Go, the California start-up company. It has been specifically designed for pen PCs, and is therefore a more appropriate solution. Fell believes a dispute between promoters of approaches could well be avoided, with the market moving progressively from the Windows approach to the Go

If this proves correct, then pen technology could prove the next revolution in comput

Della Bradshaw

How portables help sales force automation

# **Boost for productivity**

SALES force automation was largely impractical until the appearance of the laptop comsales people used to be limited to what could be mailed to or phoned to their home PC, via

Now software packages abound claiming to make the nomadic sales person more productive. Some systems are little more than glorified elecgenuine marketing tools, cut-ting down on paperwork and handling all routine computerised elements of a sales person's work, such as: Customer requirements anal-

☐ Planning and developing sales prospects.
A closer look at these head-

evant products, history of sales (and failures), past visit reports, current sales order ysis and recording.

☐ Quotation compilation.

 Personal organisation faciliing more lengthy reviews ings might reveal facilities for requiring pre-composed texts recording customer details, rel-

management, and forward action for taking up new business opportunities. The transfer of information between the sales executive and head office is important. Thus, a package may allow information to be extracted for progress reports and for creat-

and calculations, in word pro-cessing fashion. There should also be an electronic mail link. The tasks may be interpreted in different ways, but should not be discrete: for example, an entry in one section should update, in spreadsheet fashion, the effects on entries in other

areas. A change of contact name, to take a simple instance, will need updating in the diary. account record and future prospects reminder.

Among the hundreds of nackages for sales force automation, a handful are starting to acquire a name.

Among these, Sales Technol-

ogies, for instance, is a leader in the pharmaceutical indus-try. Market Solutions, Prosper Systems and Ensure Sales Technology have well-known. but more general purpose offerings. In the insurance sector, the Business Partner system comes from industry-sponsored

Origo Services. The insurance industry, as with all pioneers of computer applications, had to write its own early software. Many usercompanies now combine in-house systems with off-the-shelf automation modules to

Sun Life of Canada, for instance, uses in-house software to gather information on the client, analyse it identifying needs and generate product illustrations. They also have a proprietary SFA system called Portex from Showerings and there will soon be an automatic data transfer from one to the other.

Allied Dunbar's famous application of sales force com-puters has evolved into customer-needs analysis and point-of-sale product calculafinancial planning system. They are now adding enhanced functions such as financial health checks and graphical sales tracks to a practice management module covering sales force functions. This last point illustrates the need for pick-and-mix systems design. Sundridge Park Management Cen-tre at Bromley, Kent, has an accumulation of expertise on sales force automation.

But Monica Seeley, the centre's programme director, adds a warning: "Some purveyors are jumping on the bandwagon. Potential users must closely look at the needs of their sales force and make sure the software they buy really fits those requirements.

For example, are sales peo-

ple selling low-price items in bulk or high-value items in individual negotiations? Do they sell to wholesalers who know the trade or to end-users who need educating?
"Does each sales person have large or small numbers of cus-

tomers and how well does he or she have to get to know them? Issues like these need to be set out clearly, because most packages are written with one or another type of salesforce in mind. "Indeed, there may be a mix

of 'sales types' in the company regular sales people out on their patch and others on national accounts. It is tare that one system can serve all these people, but where different packages are used they will need 'pipelines' between them." Another link is needed

between the sales team's laptops and the head office sales management system - thence to the company's order, pro-duction, delivery and accounting arteries. Such a link allows a sales

person to update head office territory records, send in orders as they are taken, and The head office, in turn, sends out details of fresh

enquiries, price changes, pro-

motional information and

**Geoffrey Tyler** 

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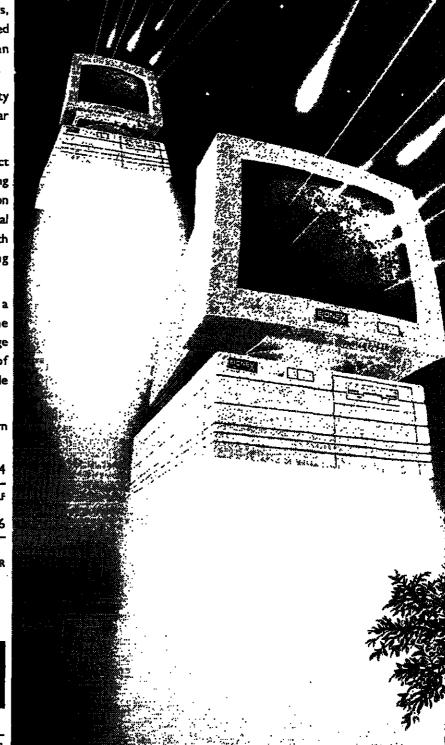
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Continued from facing page

work. The system has now been implemented across the country at a cost of some £500,000. That represents a large chunk of Gallaher's data processing budget. Mr Adams said it was justified to senior management on grounds of cost-cutting. Delivering order data automatically over the telephone meant that fewer staff were needed to handle

mail orders. There were, inevitably, teething problems with the system and not always obvious ones. The units are battery powered and at one stage Gallaher found it was going through batteries at a remarkable rate. It discovered that unbeknown to Victor, the composition of the springs which retain the battery had been changed by a supplier. The result was a reaction which

drained the battery. Every set of springs had to be changed to

solve the problem.

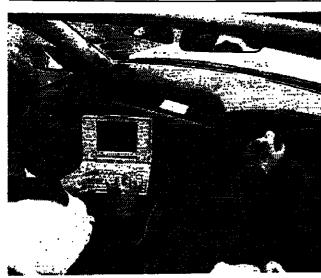
Then there was the tiny printer which sits on top of the computer to issue invoices operates by leaving an image on thermal paper. The sales team was issued with plastic wallets to file the copies. Again, a chemical reaction between the plastic and the paper meant that in weeks the invoices faded. Leather replacements for the wallets solved the problem.

shaved 24 hours off the average delivery time. In today's fiercely competitive markets,

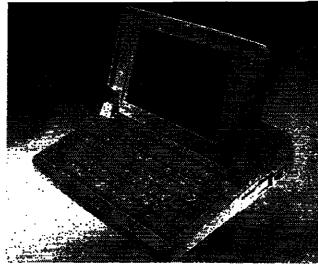
The company is measuring the success of the trial by improvements in service to its customers. It believes it has that is an advantage well

Alan Cane

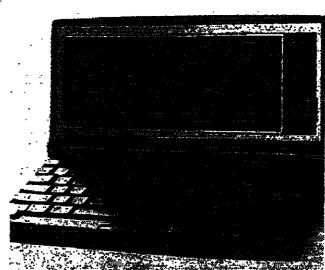
and a supplication of the 
#### **PORTABLE COMPUTERS 8**



Vortec Notebook: used by the Metropolitan Police



The Tandy 1100 FD portable computer.



Sharp Electronic's PC-3000 paimtop computer.



New from AEG Olympia: the Lapbook SX

# From palmtops, notebooks and lapbooks . . .

For the buyer, there is a daunting array of portable computers on offer. Here, and on the following two pages, **JULIE HARNETT** looks at a selection of machines in each category, from top-of-the range to budget models.

ITH a flood of new portable computers coming on to the market, the competition will become even hotter during 1992 as the players fight for market share. However, while you – as buyer – win because prices become keener by the day, you could lose if you buy

the wrong machine.
Continual improvements in technology mean the life-cycle of a portable PC today is about nine months at best. You could easily find that, by the time you have signed on the dotted line for the machine of your choice, it has already been

ipated? Accept the fact that you might want to change your portable every year or look for a machine that can be upgraded, i.e. the working memory can be expanded from the initial 1Mb or 2Mb to 8-10Mb or more; the display screen can be changed from, say, a mono to a colour, and there are expansion facilities for adding additional storage

for adding additional storage facilities, modems, printers and so on. Unless you are a first-time

superseded by a more powerful, lower priced version.

What is the answer if
increased performance is anticipated? Accept the fact that buy a unit simply because it is dirt cheap. It will be a total waste of money if it is based on old technology that cannot support the applications you

want to run. There are, quite literally, hundreds of portable machines to choose from ranging in price from £199 for an A5 size palmtop PC to £10,000 for a power-breaker transportable based on

There are many variations in

Of secondary importance were weight/portability, battery life, design, price, manufacturer's reputation and service support; although the last two were higher up the scale for corporate purchases. The choice of machine will depend, essentially however, on what between and, with increased competition from Korea and Taiwan, there will be many hundreds of models to choose from over the coming months. A survey commissioned by portable computer suppliers AST found that 75 per cent of users make their own decision on which portable PC to buy. Even among corporate buyers, 53 per cent is down to personal

preference.

So what do they look for?

The most important criteria in the selection process were screen quality, keyboard, hard disk drive, processor power and RAM.

essentially however, on what you want to do with it. To give an example, a palm-top will be more than adequate if you need a pocketable unit that can handle spreadsheets, diary and address book organi-

data capture (e.g. stock control) and database enquiries.

If you are a graphics

designer or engineer wanting to run sophisticated applica-tions such as desktop publish-ing and computer-aided design ing and computer-aided design software, you will need a power portable boasting a fast processing speed, large RAM (working memory), high resolution colour screen and high capacity hard disk storage, with each graphics image taking up the space of four pages of text on average.

ing up the space of four pages of text on average.

The most popular applications, according to AST, are based on Windows 3.0. Wise buyers will look carefully at software licences. Until recently, you had to buy a separate software package for your portable PC or dejustall your portable PC or de-install your desktop version to avoid falling foul of the copyright

WordPerfect took a lead by allowing users to make a copy of WordPerfect for Windows, providing only one version of the software is being run at

the software is being run at any one time.

A point to bear in mind is that Windows requires at least 2Mb of RAM, ipso facto you are going to need a more powerful portable, perhaps one with a colour screen, the quality depending on whether it is simply for personally viewing, for business presentations or for detailed graphic design applications, (see page four for article on software).

Another fiding to bear in mind is that there are a number of different display technologies, some of which are very difficult to view at the best of times, (see page 6, for article on screen technology) is the amount of detail you wish to see.

plays, look for the VGA (video graphics) adapter) standard, with 32 grey scale levels. Weight will be important if you intend to carry your porta-ble around in a briefcase for

any length of time.

A notebook PC may only weigh 5 lbs, but add an extra rechargeable battery pack, mains adapter and external weight could well match that

of a power portable. Incidentally, if you intend to use your portable overseas, watch out for mains power adapters that plug straight into the socket. When plugged into an inter-

mediate international power converter, they tend to slip out because of the weight. (For more details about battery power, see page four). Other points to bear is mind

include compatibility with your desktop PC, particularly if you want the convenience of being able to use the same disks; expandability, with extra sockets important if you want to add a modem, printer, and fax card; data integrity, with solid state disks being less vulnerable to damage than rotating magnetic media; and storage capacity, particularly if you are an information hoarder who hates to delete

Paintops — personal organiser or PC companion

Palmtop PCs are small and light enough to carry in an overcoat pocket; they use little power to provide several days of red-light use per battery charge; can exchange files with a desktop PC; and are affordable, being priced between £199 to just over £1,000.

For those on a budget who do not need to run standard PC applications but do need a personal organiser, diary scheduler, calculator, basic text editor and address book, units to look at include the Sharp IQ and the Microwriter AgendA, which offer PC communications, i.e. provide you with the ability to upload/download information in ASCII text format, as opposed to fully formatted doc-

If you need MS DOS compatihility, i.e. want to run standard PC applications, in a machine no higger than a video cassette, the palmtops to consider include the Poqet PC and the various units designed with the help of DIP, the British nocket computer experts pocket computer experts.
They include the DIP Pocket

PC, Atari Portfolio, Hewlett Packard HX 95LX, Sharp PC-3000 and Telematica Leo. DIP is convinced that the best seller in 1992 will be the

Sharp PC-3000. Priced at £749 plus Vat, it features 2MB of system memory; 77-key Qwerty keyboard; 640 x 200 resolution black and white LCD screen:

inbuilt software which includes diary, phone book, calculator and text editor; and optional external 3.5in floppy

Most interesting of all, it is PCMCIA (Personal Computer Memory Card International Association) compatible, which means it can take solid state memory cards which offer low power consumption, greater storage capacity and increased

reliability, (see page 6).

Backed by such leading industry players as Intel, IBM, Microsoft, Lotus and WordPerfect, PCMCIA is set to become the pocket computer standard, enabling users to plug in and go with all the popular PCcompatible software.

The Poqet PC (£999) also takes PCMCIA-compatible slot in memory and application cards, provides 100 hours of use on standard AA-size alkaline batteries and features a full 80-character by 25 line display. Touch typists will particularly like the newly designed 77-keyboard with its more positive action and separation of cursor keys from the shift key.

PC software available includes Lotus 1-2- 3. Lotus Agenda and Lotus Works, WordPerfect 5.1.

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L<sub>II</sub>

technophobes or action men

the Psion MC range is still one of the more innovative around, its potential hampered only by the lack of long promised peripherals, Psion believes that its computer saviour will be the handheld Series 3, which has won a number of awards since its launch last Autumn, including the Best Interna-tional Product award at Comdex/Fall exhibition in Las

Priced from £199.95 inclusive of Vat, it is MS DOS compatible and supplied with built-in applications software which includes a fully-featured word processor and database.

Using the same SSDs (solid state disks) as the MC range, it features a very clear screen, 16-bit processing power, multitasking operating system and graphical user interface. Thus, even technophobes should not suffer a long learning curve.

If you are looking for a han-

dheld computer that will stand up to a hard life, the Husky 16 is worth considering. It comes in a tough, knock and water-resistant sealed case, making it ideal for service engineers, local government data collection, quality control, surveying, time recording and warehousing as well as applications in public utilities and the armed forces.

The most recent addition to the Husky ruggedised range of portables is the FS/2 which features a backlit LCD screen; weighs in at 26 oz and provides over 30 hours of battery run time. A 512Kb budget model is priced at £1,249, a 4Mb

Notebooks state-of-the-art or budget priced ?

If you are constantly on the move and work mainly from vehicles or hotel rooms, a note book is an ideal solution. Small and light enough to be carried in a briefcase, able to run off a battery, car clear light

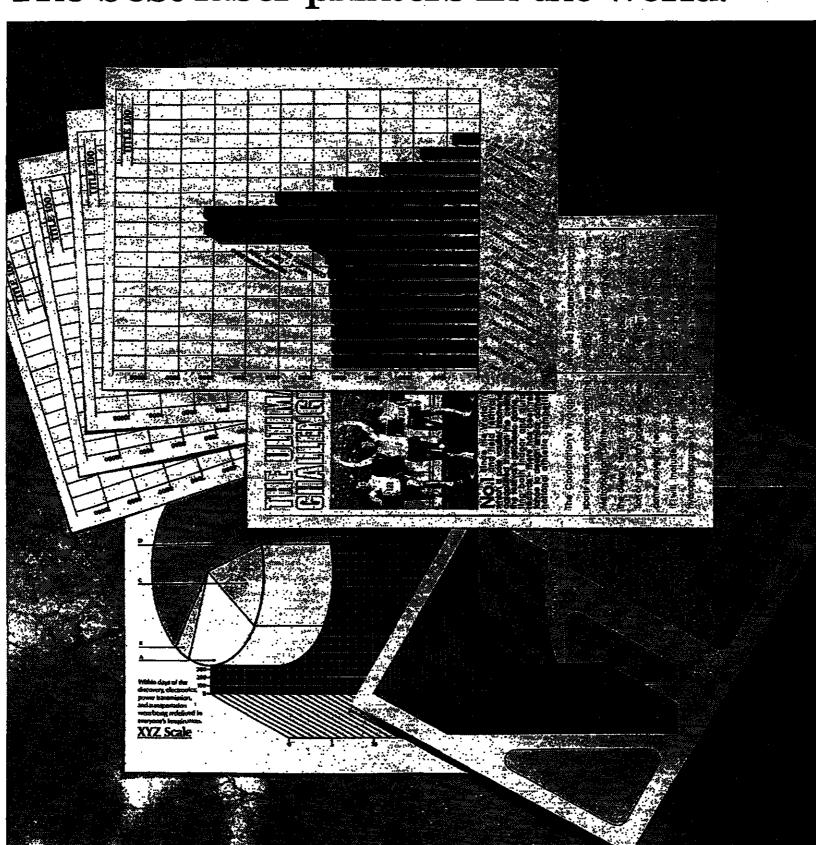
ter system or mains powers, there are budget priced models or power versions capable of handling most applications. A drawback may be lack of expansion slots, which means you get only what you see, with no upgrade path. Note-books like the TI TravelMate 2000 and Sharp PC-6220 which do not have an integral floppy disk drive will be a bonus to large organisations not only because cost will be lower but data security is enhanced since users will not be able to ins disks from unauthorise

sources that may contain Viruses. Epitomising notebook PCS with integral 1.44Mb 3.5m floppy disk drive is the new Bondwell B380SX which weighs in at 8.4 lbs; uses a 25MHz processor to provide 4 processing speed up to 95 per cent faster than a conventional 16MHz machine, and features rechargeable NiCad batteries and advanced power market ment system to give up to hours of red. Bob tree

Priced from £2,499 list it als has 2Mb RAM as standard.

hours of red-light use.

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You'll notice that we haven't added a modest "probably." Because if you want the best in laser printers, the Hewlett-Packard LaserJet is undoubtedly it.

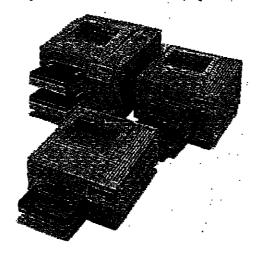
Today, over 5 million HP LaserJet printers are sharpening company images around the world, producing stunning results time after time.

What keeps these remarkable machines way ahead of the competition is clever new ideas. Lots of them. Like Resolution Enhancement Technology. Developed by Hewlett-Packard, it ensures lines so sharp, curves so smooth and blacks so black, that documents look as though they've been typeset.

HP LaserJets also use HP's PCL5 advanced printer language. This latest generation language allows new, fast vector graphics and a range of scalable fonts that enable you to turn even the most mundane document

into a thing of beauty. Not only is the HP LaserJet family a very gifted one, it's a complete one to meet your every need.

The latest addition is the HP LaserJet IIP Plus. Together with the HP LaserJet IIIP, it puts

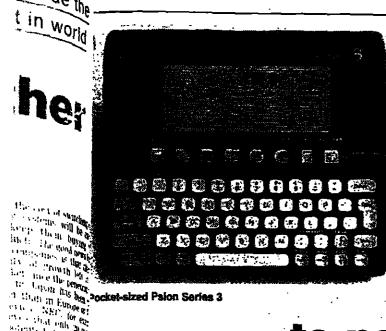


LaserJet print quality where you want it - on your desk. Then there's the industry standard HP LaserJet III and its big brother the IIID with its superb paper handling ability. For quality allied to the speed modern business demands - an outstanding 16 pages a minute - HP LaserJet IIISi has no rival. Any of them will make your work look brilliant.

HP LaserJet printers. The best. And there's no "probably" about it.



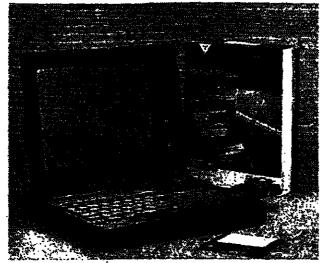
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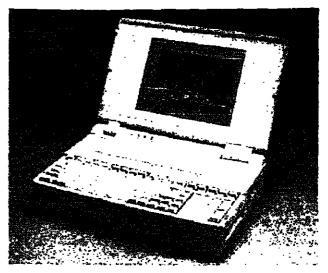
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TI's TravelMate 3000 Win/SX



display which makes it ideal



Toshiba's T6400SX with 120Mb hard disk

# to notepads, pen-based systems and laptops

Inc. the large continued from previous page the date of the some capacity hard disk, the large states and a per supertwist VGA at the large states and a per supertwist VGA at the large states and a per supertwist vGA at the large supertwist both physical and unauthorised access to data.

If you want to run your portable at the large supertwist vGA at the large supertwist between the state of the art is the large supertwist which has been designed specially to portable PCs to redetable the large prevent mid-day battery failure or data loss.

or data loss.

Though denie. The machine gives up to the machine machine gives up to conserve that the mattern premier Management Systems the mattern premier Management Systems that the mattern premier management systems the mattern premier management systems that the mattern premier mattern premi with Rest Resume more, wanted to complete a freezes your work at any point and saves it for up to 30 days.

The complete priced at 12,995, it is one of complete many portables PCs available property distinguished the mail and a save at low prices from the mail ... I mile cense order company Action Com-

puter Supplies.
The new Compaq LTE Lite/

same processor with the most notable features being hardware and software security, enhanced battery-life control, improved keyboard layout and stand-by and hibernation

modes. Action prices are £1,859 and £2,149 respectively. Also 386SLbased, the new Toshiba T3300SL notebook features a 64Kb cache memory which is claimed to make the 25 MHZ processor operate over 50 per cent faster than Intel's 20MHz 386SX chip; six hours of bat-tery life; and PC-to-mainframe communications capability.

For those on a budget, keep your eyes peeled for the numerous special deals adver-tised in the national and computer press. As an example of the drop in prices, the Tandy 1100FD notebook is now some £300 lower at around £425. It may only have a single 720K floppy disk drive, which could be inconvenient if you use an AT-compatible desktop PC but, on the plus side, it runs for 4.5

tery, is supplied with DOS and applications software which includes a text processor, has a full-size 84-key keyboard, parallel and serial interfaces. modem port and optional 1Mb

expanded memory card.
Notebooks now priced around the £350 mark that do incorporate the higher capacity 1.44Mb floppy drive include the Panasonic CF-170. With 640K memory 2008 hard disk 8 inc memory, 20MB hard disk, 9 ins easy-viewing backlit super-twist LCD screen and parallel/ serial interfaces, it offers four hours of battery life.

hours of battery life.

But if you need more power at your elbow, expect to pay £2,251 for the 386SX-based Panasonic CF-370. Another example of lowering prices in the power end of the Notebook market is the 20MHz 386SX-based panasonic CF-370. based TravelMate 3000 from Texas Instruments which was priced at £3,395 when launched a year ago. Now priced at £1,795, it is A4 size, no more than 46mm thick and weighs in at 2.5Kg, which include a 20Mb hard disk, integral 1.44Mb 3.5in

expandable to 6Mb, 10 ins side-lit supertwist LCD display with 32 grey levels, full function well-designed keyboard and LapLink file transfer software.

**Notepad computers** and pen-based PCs

A variation on the notebook in terms of size and, indeed, processing power, the notepad is different in that it has no keyboard; you write on it with a cordless pen. There are a number of systems poised to enter the market, held back mainly by the lack of software although over 250 software

developers are doing their best. Ideal for collecting data in the field, typical applications include retail stocktaking, surveying and data-logging at industrial sites. The first pen-based PC was launched by GRID Computer systems, now part of Victor Technologies, which supplies a broad range of portable PCs, see page seven. The GRiDPad pen-based unit

for use by anyone who works at night or in adverse lighting conditions, e.g. truck drivers, repair crews and the police. Customers include Commercial Union, Equity & Law, Ford, LandRover, the Armed Forces and Audatex, the vehicle damage assessment company.

The latest version is the GRiDPad/HD which incorporates a hard disk drive and is priced at £2,549. The new GRIDPad/RC is priced at £2,049 and uses PCMCIA-compatible static RAM cards. The most recent package to be launched is PenForms which enables any user to design custom screen layouts for any kind of electronic form-filling in the

The other main contender in this market is NCR. Said to be the first to understand every-day handwriting, the pen-based NCR 3125 has the potential, say the company, to have as dra-matic an effect on working life as the introduction of the photocopier or personal computer. Based on the Intel 80386SL

processor and priced at £2,995, it is able to recognise and record upper case, lower case and annotations and is designed to provide a cost of find a keyboard an impediment to data input or who are struggling with time-consuming paper-bound procedures.

Laptops - for finance and sales

IBM is targeting the finan-cial services sector with its PS/

2 L40SX laptop which provides full support for client service and sales management. Priced at around £2.800, it is based on sor for fast execution of sor for fast execution of advanced business programs, including those designed for IBM OS/2 and Microsoft Windows, it is supplied with a 50Mb hard drive, super slim 1.44Mb, 3.5 ins floppy drive. Plus-points include an 85-key keyboard with full-sized keys; 10 in supertwist nematic VGA LCD display with 32 levels of

greyscale; and an optional autosensing AC adapter which adjusts for local power conditions in any country. Expansion facilities allow instant connection of external VGA, serial, parallel and key-board pointing devices as well as the IBM desktop expansion unit. It uses an advanced NiCad battery with battery

backup and advanced power management systems, with optional quick charger and car adapter. You may expect to see a whole series of portable PCs from IBM in 1992. At the budget end of the power laptops is the Lapbook SX from AEG Olympia which is slightly larger than an A4 notebook

weight of a laptop (3.6 kgs). Based on the 80386SX proces sor running at 20MHz, it incorporates a fast access 40Mb hard disk drive, 1.44Mb 3.5in floppy drive and 1Mb of memory which is expandable to 5Mb. It also has a low power page white backlit LCD display and uses batteries giving 3 hours of use. List price is £1,699, which

size PC and less than half the

includes free on-line telephone

Colour - for presentations and computer-aided design

An example of state-of-the-art in portables offering business presentation quality col-our screens is the Sharp PC-8501 which is based on active-matrix TFT (thin film transistor) backlit LCD technology which supports 256 displayed colours simultaneously out of a total palette of 262,144 colours and offers a high contrast and definition regardless of view-

ing angle.
It has a 2Mb memory (ideal for Windows applications) and features a 100MB hard disk drive, a capacity designed to support disk space hungry graphics applications.

The drawbacks? It is mains-powered only and the list price

powered only and the list price is £5,995, down from the launch price of £8,000; although available through Action Computer Supplies at £4,195.

Those on a budget can still get access to Sharp's lab performance colour display can.

formance colour display capability, but on the new ACL-386SX 20MHz laptop from Amstrad the UK market leader in terms of portable PC sales. Expected to become the compa ny's best seller for 1992, the list price is £3,999 plus Vat and it incorporates 4Mb of main memory and a 120Mb remov-able fast access hard drive for high capacity storage and data security.

A bonus is that it runs off

removable rechargeable battery pack with built-in charger and internal auto- switching mains power supply and utilises a 20MHz microprocessor.

#### Dual purpose - from portable to desktop

Anyone having to work to tight business budget, has limited desk space available or wants the convenience of a two-in-one computer, then a dual-purpose portable-cum-desktop unit is really worth considering.

Typifying the genre is the Walkstation range of note-books and laptops, designed, developed and manufactured in Germany by Triumph-Adler, part of the Olivetti Group. Innovations include zero-

pressure connection to a desktop 'docking' station and dock-ing printer; a detachable clip-on mono screen which can be replaced with a colour display at a later date - making it virtually "future-proof." It also has an integral mouse and, for the foreign traveller, an intelligent power unit that can work across many voltages and frequencies and the ability to interface to a range of peripherals including CD-ROM

The current promotional price of the top of the range 386/33 60Mb version is priced at £2,999, (normally £4,199).

At the top end of the dual-purpose portables is the 386-based Unisys PowerPort DX1 which comes with 120MB drive, 3.5 ins 1.44Mb floppy Continued on next page

Increasing interest being shown in insurance, banking, auditing and sales and marketing sectors

# ahea Laptop users: senior managers and directors top the list

NTRIGUING extremes are emerging in the laptop computer market - one group of end-users seeks high-performance and highly-functional desktop machine substitutions, smaller, lighter weight, battery-powered computers for ···· · · · - more simple solutions

These trends are highlighted and pain a report on portable comthe Market by the Market "ut and Intelligence Research Corporaper partition (MIRC), which estimates the best that world sales for these machines this year could be more than \$5.6m. This reprethe state an annual growth rates of 10.2 per cent, rising to 11.8 · Philodolic per cent next year.\* and the grant of

#### Profiles of typical users

portables - particularly laptops?

In the US, there is a higher percentage of users among direct sales teams and mobile workers than in the UK, but this will change with the lively interest being shown in Britain in such sectors as insurance banking, auditing, sales and marketing, field engineering and management consultan-

A survey in the UK of computer-users working in companies with more than 500 employees, the majority of users - for the moment - are senior managers or directors,

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URVEYS

(54 per cent).

One in five are professionals and consultants, according to the report by AST Europe, the personal computer manufacturer, and IDG Communications. The percentage of portaiob titles were as follows: Director, partner: 18 per

🌣 🗅 Managing director, principal: Data processing manager, information technology man-

ager, 11 per cent.

Other managers: 14 per cent.

Professionals, consultants: 19 per cent.

Engineers, scientists: 5 per

ू 🖸 Administrators, 8 per cent. Analysts, officers: 11 per cent.
In companies where users have both desktops and portables, they spend an average of 3.52 hours a day on the former and only 2.35 hours a day on

and only 2.35 hours a day on the portable. But those without desktop machines use the portable for an average of 3.8 hours a day. In a survey of use by locations, portables were used for 37 per cent of the time in the office, 34 per cent at home and

19 per cent in other people's More than half of users said they found their portable to be "even more valuable" than they originally expected. One-in-five said they were also using the portable for new



A new portable system helps Barclays Life represe personal finance needs. information technology.

**Barclays** goes

In one of the largest portable

computer contracts ever placed in the financial services indus-

try, Barclays Life Assurance

part of the Barclays group has ordered 1,500 Toshiba com-

puters for its entire sales force.

help build Barclays life assur-

ance, pensions and invest-ments business. The company

made a six-month appraisal of portables computers on field

tests from various manufactur-ers before deciding on the

for made "Supercasp" software, developed by Microiex Systems of Derby. The system enables Barclays Life sales staff to make swift and detailed pre-

sentations and forecasts for customers. Toshiba's research-

ers claim that executives "can

Toshiba model T2000SXe. The machines will run tai-

The machines will be used to

portable

advise on school fees and other While portability was consid-ered the main benefit of the machines (35 per cent); the executive's ability to work out-side the office was rated at 10 per cent, with increased efficiency and ability to work more productively rated at eight per cent.

#### Management research programme

Despite the increasing number of managers who use portable computers, surveys of senior executives attending develop-ment courses at a leading management training centre in the UK show that "only a small percentage have any realistic appreciation of information technology in the management

Monica Seeley, programme director of the Sundridge Park Management Centre at Brom-ley, Kent, says that information processing tasks, tradi-tionally performed by middle managers, can now be under-taken by the senior manager on his or her laptop, wherever

The power and ease-of-use of today's portables leads to the radical conclusion that only the computer-aided manager will survive and flourish in the 1990s," says Ms Seeley. Now the centre has begun a three-year research programme to study the impact of information technology (IT) and how managers should organise their career paths in order to

acquire IT and managerial skills to operate more effec-tively.† This research will be conducted jointly with Profes-sor John Beaumont at the chool of Management at Bath "Analysis will identify what exactly are the skills and mind-

set of managers who use IT effectively in business," adds Ms Seeley. "This will be done by comparing the career paths of 'IT advanced' and 'IT

retarded managers.
"A comparison will also be made of the organisational frameworks which advance and retard the effective use of

Citizen Europe, the compute printer and monitor manufac turers. This figure is likely to rise to 550,000 units a year in

"At least one-in-four buyers of portable computers also Anthony Odhams, a senior manager at Citizen. "Our forecasts suggest an overall mar-ket growth from 1990 to 1995 of nearly 244 per cent."
What is claimed to be one of

the world's smallest A4 portable printers has been launched by Citizen, a wholly-owned subsidiary of the Citizen Watch

of many of its competitors and easily fits into a standard brief-

Among innovations in the sector, the Irish-based com-

Among contenders in the portable printer market - they

expect around a 30 per cent improvement in sales perfor-mance using the latest in por-table sales technology." Sales force computes

on the move Life Association of Scotland. (LAS), the financial services company, has bought 260 Tandon Notebook portable computers for use by its direct sales force who need lightweight machines while on the move.

The LAS evaluated eight models of notebook computers from various suppliers before selecting the Tandon NB/386sx which runs at 20 MHz and weighs just 6.6lbs (3,1kg). The model has a 10 ins VGA monochrome backlit LCD display which allows the user to operate industry-standard software while on the move.

Fast-growing portable printer market

More than 300,000 portable computer printers are likely to be sold in Europe this year,

according to a new survey by

require a printer," says

company of Japan.
At 1.17kg, the PN48 Note-book Printer is half the weight

The machine is a non-impact device with a high resolution printhead to give letter-quality print, comparable with the output of some laser printers. Text and graphics can be combined on one page at print speeds of 53 cps in letter-quality. The UK retail price: £325, plus VAT; (includes NiCad battery).

pany, Ferrotec has plans to produce its new plain paper portable printer (the H200PM) both in France and Ireland. Serrib, part of Groupe Bull, has the capacity to produce 3,000 printers a month. Ferrotec's new printer will be launched at next month's CeBIT '92 exhibi tion in Hanover.

include Toshiba's 201, Canon's stylish Bubble Jet (BJ-10ex), the Kodak Diconix 150+, the Seikosha dot-matrix LT-20 and the Mannesmann Tally MT-735 - small is beautiful in the race to win market share.

The compact, high-quality Mannesmann printer can emu-late both dot-matrix and laser Toshiba claims to have the

smallest and lightest portable printer on the UK market in the ExpressWriter 201, which weighs 1.9lbs (0.85kg) and mea-sures 11.9 by 3.1 by 1.7 ins. It uses 24-dot thermal transfer and prints on thermal or standard office paper, using a ribbon, to produce letter-quality output. The ExpressWriter priced at £265. It will print continuously for an hour using a detachable battery (weighing 0.55kg), available as an option for £40.

Michael Wiltshire

\*Opportunities in Portable Com puter Markets: Market Intelligence Research Corporation, 45 Rue Vandenhoven, 1150 Brussels, Belghum. \*\*AST Europe, 2 Goat Wharf, Brentford, Middlesex, TW8 OBA, tel.(081) 568 4950. † Sundridge Park Management Centre, Plaistow Lane, BromTDK proudly exhibit their certified 100% error-free floppy disks. And with them, the chance to take part in the biggest ever TDK Collectors' promotion.

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Notebook computers: application case study

## Graphics from the Winter **Olympics**

LANCE BELL, pictured here, a London graphics journalist with Reuters' international wire service, is using a portable computer at the 1992 Win-ter Olympics to create on-thespot illustrations to complement news stories this week from the Alpine mountain slopes of France. He is using a notebook-sized

Apple Macintosh PowerBook 170° with modem, based at a studio in the main press centre at Albertville during the 16 days of the Winter Olympics. He is able to rapidly prepare diagrams and maps not only at Albertville — the flagship town on the games — but also at any of the ten mountain locations where the games are

taking place Lance Bell's graphics for newspapers and TV pro-grammes in many parts of the world help to illustrate such events as cross country and speed skiing, cross country, freestyle and bobsleigh coutests – spread over the 750 square miles of mountainous terrain which is hosting the

Olympic programme.
In bad weather, there could be delays of perhaps four hours before graphic details could normally be brought by road and transmitted from the



main press centre. But now, with the powerful notebook computer. Mr Bell can transmit graphics via modem from any of the centres where

events are taking place.

"The newly-created graphics are transmitted to a Reuters' explains Mr Corrie Parsonson. editor of the graphics news service can then access the graphics and download them to their own Macintosh

Reuters graphics service, which was set up in May 1990, issues between four and six graphics a day, in colour and black and white, to complement news stories news, finan-cial articles and other fea-

\*The PowerBook 170 is the highest-performance member of book-sized computer range. It weighs 6.8 lbs; the system is

# Upgradeables offer advantages

Continued from previous page drive and 4MB RAM expandable to 16MB. Priced at £3,530, it is mains powered only; with the battery operated, less pow-erful SX1 priced at £2,520. Both are supplied with DOS and Microsoft Windows 3.0, with SCO Unix and Microsoft OS/2 available as options.
Good points include full-

zed 85-key keyboard with 12 arrangement and full travel keystroke; and magnesium casng, which is lighter and ugher than plastic cases and being porous metal, breathes, dissipating heat faster than plastic and eliminating the need for a noisy fan. For graphics: a VGA screen with up to 32 shade of grey, double the norm, which can be unclipped and exchanged for a desktop VGA monitor.

Each system comes with two telephone jacks; optionals include a modem/fax board. The active docking station supports industry-standard AT circuits cards enabling it to be linked to major LANs such as Novell and IBM Token-Ring.

Desktop compatibility - from desktop to portable

Graphic designers and other dedicated Apple Macintosh users will want to look no further than the notebook-sized PowerBooks which are based on Motorola's 68030 microprocessor and are priced from £1,375 for the smallest and lightest model 100 which comes MB internal hard drive, to

model 170, pictured left. This features a fast 25MHz processing speed, a backlit active-matrix LCD display that provides supper screen performance in all lighting conditions, 4MB of working memory, a 40MB internal hard drive and a 1.4MB IBM-compatible Super-

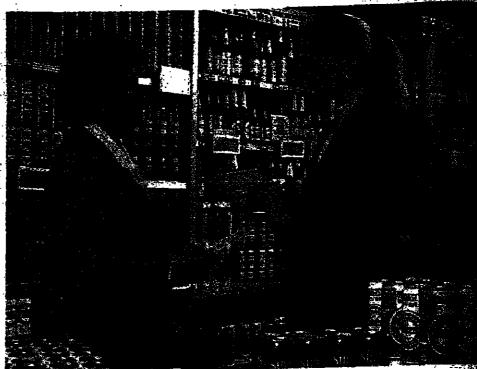
An optional extra is an inter-nal fax/modem card which can be used in any country to transfer data, log-on to remote information systems or for electronic mail.

#### Upgradeables start small, grow

The main advantage with

Toshiba portable PCs, which range from low-priced note-books to high performance colour portables, is that there are a number of third party developments which not only upgrade performance but pro-vide additional capabilities. For example, the Wonunder Cradle from Gravatom is an expansion chassis, priced at £299, which takes the Data-voice ISDN PC card enabling Toshiba notebooks to be connected to Integrated Services Digital Network to provide access to remote computers; fast file transfer at 128 kbps; or logging on to local area net-

Another development is the MicroQuin-NT from Kerridge Network Systems, the first internal modem to provide Toshiba notebooks with reliable data and fax communications over cellular networks.



Power portables state-of-the-art models for 1992

and PC-to-DEC connectivity, it

enables users to access View-data and Telecom Gold.

The most advanced this year in terms of power will be porta-bles based on the Intel 80486 processor, with prices ranging from around £4,500 to over £10,000 and many contenders with products in the wings. Those already in this "go fas-

ter" race are Compaq, IBM, NEC, Toshiba, Zenith.
As examples, the new Toshiba 486-based T6400DX runs at 33MHz and has a gas plasma display (£3,419 from Action) while the T6400SX is a 25MHz TFT colour portable (priced to be advised, but should be under the list price of £6,499).
The Compaq Portable 486C is based on the i486 processor running at 33MHz and supported by 4Mb of RAM which expandable to 32Mb. It has

expandable to 32Mb. It has either a 120 or 210Mb hard disk drive, features an a high quality active matrix TFT LCD dis-play and will be list-priced at around £7,000.

#### Support and maintenance

A final point worth mentionare sold with 12-month return to (UK) supplier warranty, which will not be much good if you are away from base with

means, we are assured, a first year, free-of-charge, no-quibble guarantee, whereby an angi-neer will be on-site to repair a faulty machine within eight TOTON

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working hours.
Should the problem turn out to be a major one, the engineer will transfer all your hard disk data — or the hard disk itself.

In the corporate arena, organisations needing pan-Etropean support for large field sales forces and mobile execu-tives will welcome the Statuens Nixdorf initiative. This allows advanced notebook PCs to be purchased in packs of ten at a substantial discount. It a machine needs servicing any-where in Europe, the user simply contacts the nearest service centre where they will be provided with immediate fault diagnosis and a replacement notebook within two hours if

The scheme applies to the PCD-3nx/16, a 16MHz unit with 1Mb memory and 40Mb hard disk which is offered at £14,990 for ten, compared with the PCD-3Nsx/20 which has 20MHz clock speed, 2Mb men ory and 60Mb hard disk white

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# You've seen windows before. But never anything that will window DOS, UNIX and OS/2 applications all at the same time.

In the 1980's we saw the first industry standard operating systems. And, as such, able to be run on hardware platforms from several manufacturers.

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An integrating environment for the 90's linking users, applications, information and networks.

Which means that a user can have a window to a host processor running a mainframe application, windows to both OS/2 and UNIX<sup>†</sup> servers, as well as windows to DOS

applications. All running cooperatively on the same workstation.

Even better, Cooperation can analyse the end user's activities, and combine data from several windows to make the user even more

productive. So, instead of having to access a number of screens, a business executive can find all the needed information on one screen

Because Cooperation uses object-oriented technology, both information and any operations that can be performed on that information are bundled together. (The data can just as easily be text, graphics, voice or video - or any combination of them.)

When users want to access or manipulate an . object, such as a budget to be revised or printed out, they simply click on an icon to request the object - whether that object resides across the hall or around the world.

And if they want information, an Information Storage Manager enables users to retrieve documents anywhere in the enterprise by date, key words, author or content - without needing to know where the file is, or what its name is.

Cooperation will run on any industry standard Intel® 386-, or 486-based PC running DOS at the client, and any industry standard Intel Micro Channel based computer running OS/2 SE or UNIX V.4 at the server. And what we have just described is only a finy part of what Cooperation has to offer.

You need to see it to believe it. For further information, get in touch with NCR.

#### BUZZWORDS AND. TECHNICAL TERMS

■ LCD display - liquid cryst larizing filters and twis TFT screen - thin film E CCFT — cold cat element - the individual dots that make up a picture on a

■ MiCad cells — rechargeable ■ NiMH batteries: nickel-mete ed in Japan by Sanyo.

- basic input-output ■ DOS - Diec operati # FDD — Roppy diek drive. # SCSI — Small computer sy

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stions and developing distical models.

storing and retrieving n; does the job of a several guises, although most are with a stylus or "pen". The pen is boxes or indicate sections of

☐ "What to do when a micro ands on your desk" by Glyn ody and Menek Dube

Michael Wiltshire



DESIGN FOR NEW TOKYO NETWORK

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Open, Cooperative Computing. The Strategy For Managing Change. SECTION IV

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Should the profits Theyor ope & Monday February 17 1992

As the Philippines moves towards a democratic transfer of power, many Filipinos approach this milestone disappointed and impatient at what they believe is a lack of progress towards both economic and social stability. Yet a new president will take over amid signs of renewed optimism. Richard Gourlay reports

# Rocky road to transition

SIX years after President Ferdinand Marcos's 20-year grip on power was broken in a popular rebellion, the Philip-

pines is again approaching a turbulent transition. Despite seven compattempts, President Corazon Aquino has confounded her detractors by surviving and is steering the country towards that rare south-east Asian event a democratic transfer of power.

Judged by the yardstick of democracy, a peaceful hand-over after the May elections will be viewed as a significant achievement for Mrs Aquino. Yet the restoration of elected institutions has been fraught with difficulties and has yet to provide the foundations for the kind of economic growth enjoyed by most of the coun-

try's neighbours. Swept along by understand-able but unrealistic optimism immediately after Marcos fled in 1986, many Filipinos approach this milestone disap-pointed and impatient at what they say is a lack of progress towards economic and social

The path to a more predictable future has been complicated by the sudden departure of US bases from the Philippines by November this year. Triggered by the Senate's refusal to ratify Mrs Aquino's new treaty with Washington. the closing of the bases heralds fundamental changes in the often emotional relationship between Filipinos and their former colonial rulers. The

to US projection of power in the Pacific was bound to diminish with the collapse of the Soviet Union and Washington's budget problems. Yet the abrupt end to the historic relathe withdrawal have yet to be fully appreciated. Quite sud-denly the Philippines will have to strengthen its ties with Asian neighbours and come to terms with the growing regional importance of the old

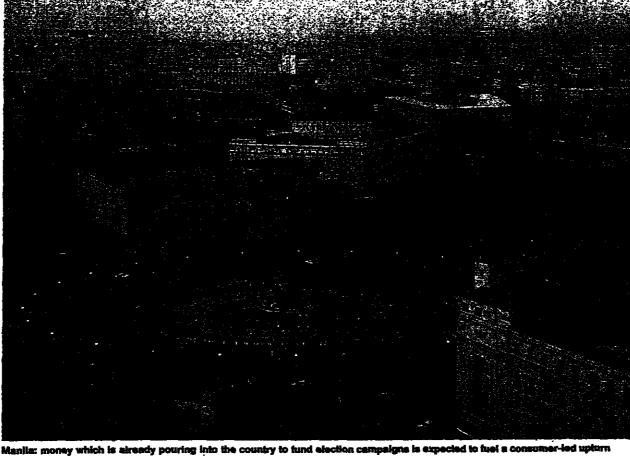
adversary, Japan.
The looming elections have so far provided few pointers as to how the Philippines will emerge from this transition. In an atmosphere somewhere between high drama and farce, eight serious candidates have lined up to succeed Mrs Aquino, including Mrs Imelda Marcos, the former First Lady accused of looting millions of dollars from her country.

Mrs Marcos faces more than

100 charges ranging from money smuggling to theft, and probably stands little chance of winning the election. But she is well enough financed not be written off as a nuisance candi-Against this background of

uncertainty investors are once again intoning the familiar refrain - "wait-and-see". This is exactly what the Philippines could do without as the country emerges from a year of negative -per : capita - economic

Yet despite the destabilising ground. Manila's businessmen effect of the elections, the fear that a similar cocktail of



gloom that hims over the economy for much of last year is beginning to lift. Foreign exchange reserves are at an all time high as migrant workers, driven abroad by the eruption of the Mount Pinatubo volcano, remit more dollars. A revenue raising levy has slashed imports. Money already pouring back into the country to fund election campaigns is also expected to fuel a consumer-led mini-boom which optimists hope will tide the country over until investment can lead

recovery after the elections.

This recovery could, however, be substantially diminished if the main opposition candidate is elected. Mr Eduardo Cojuangco, the most accomplished of Mr Marcos's business cromes before he fled business cronies before he fled with the dictator in 1986, is still widely suspected of favouring the protected, monopoly-dominated form of capitalism nurtured by his for-mer boss to the lasting detriment of the country. If he wins, investors could well go to

recovery after the elections.

inward-looking economic nationalism could be ushered in by Senator Jovita Salonga, the Liberal candidate.

On the other hand, should either of the ruling LDP par-ty's two candidates win, there is likely to be a continuation of recent movement towards eco-nomic liberalisation. The LDP's chances have been weakened, however, by Mrs Aquino's endorsement of retired General Fidel Ramos as her preferred successor, rather than Mr Ramon Mitra, the Speaker, who won the nomination of his party's delegates.

It is an example of the sort of decision made by Mrs Aquino that has bemused observers and lost her much of her early rapturous support at home and abroad. Despite an enviable mandate for change, she is now widely criticised as having led a government of missed opportunities. Most damaging has been the administrations's inability to control the nation-alist-dominated Senate, even though Mrs Aquino handpicked most of the incumbents. The Senate's refusal to

endorse her decision to prolong the US bases agreement was one of its more notable acts of

Yet at the eleventh hour, the Senate fell into line with the administration on the equally crucial question of economic management. By passing new revenue-raising measures dur-ing its last hours in session, the Senate has given the new administration a chance to tame the burgeoning domestic debt which has kept local interest rates high and discouraged investment.

The new measures also appear to have persuaded the international Monetary Fund to approve a new austerity pro-gramme which clears the way for new foreign aid and an important rescheduling of \$5.8bn of commercial debt In any case, to lay all blame at Mrs Aquino's feet, as her

which to build.

critics are doing, is simplistic. Many of the problems she has confronted were inherited and would have been passed onto the next president whoever replaced Marcos. Foreign debt, now standing at \$29bn, has been a running sore. And the army, for so long the police-man of martial law, has stead-fastly refused to accept that it should be subservient to civil-ian government. Few observers

will put money on the military remaining in their barracks. More reasonable Filipinos, while welcoming the likelihood that almost any new president will provide more decisive leadership, nevertheless point out that Mrs Aquino leaves some solid foundations on

The communist-led insurgency, for example, has been badly damaged not only by the collapse of role models in east-

ern Europe but also by Mrs Aquino's commitment to democracy. Delivery of some basic services such as roads, schools and healthcare to remote areas might be the clinching final blow against

the guerrilles as it was against Thailand's insurgents in 1984. On the economic front, the diamantling of the big Marcos monopolies and crony capitalism, while not complete, has liberated local entrepreneurial flair, particularly in the impor-tant Filipino Chinese commu-nity. All they would seek from a new president is a continuation of the process that is slowly edging government out of business. Last month's pri-vatisation of Philippine Airlines was the latest succe

move along this path.

If the government supplies the stability and better infrastructure - the country is fac ing a serious power shortage
- business will resume investing, the argument goes. Already in Cebu island and Cavite province where the local political leadership is strongly pro-business, pocke of dynamic investment-led growth have spring up as an example of what could happen elsewhere.

In recent months, the gov-ernment has also adopted important economic reforms. It has relaxed foreign exchange rules, greatly increasing exporters fissibility and reducing red tape. And it has begun to undo damage done to foreign investor sentiment by Supreme Court interference in a Triverness company's plans a Taiwanese company's plans for a \$250m petrochemical plant. After the court's ruling, the investor packed his bags and went home.

The new investment code now explicitly presumes pro-jects are acceptable unless spe-cifically excluded, reversing the previous rules that said latory approval.

These reforms remain, however, humble beginnings com-pared to what Thailand, Malaysia and even Indonesia have already achieved. But as the country moves chaotically out of the gloom of the Marcos years, Flipinos who can look beyond the clamour of the forthcoming elections are nevertheless teetering on the verge of optimism.

#### IN THIS SURVEY

The economy: Filipinos often ask themselves why their country, which was once among the most prosperous in Asia, has been left behind by its rapidly developing south-sast Asian neighbours . Page 2 #The military: It is clear that diagruntled sections of the army have still not lost their taste for intervening in civilian govern-



in Manila. Some exporters are exempt from import Development ...... Page 4

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**POLITICS** 

# An appetite for tittle-tattle

of the previous day's political intrigues. More often than not the talk is of personalities and parties; rarely, it seems, of

For the next three months even the cofreceived cognoscenti's appetite for politi-cal tittle-tattle may be tested. On May 11, the country votes for a new president to replace Corazon Cojuangeo Aquino. Bar-ring a hitch, the election will be the first time in the country's history that an incumbent has not stood for a second term and the first time since 1969 that elections have been held according to a timetable laid down by the constitution. The scale of the exercise, as much as

The scale of the exercise, as much as the event, has set the country alight. When registration closed, the voters had choice of 78 presidential candidates – or "Presidentiables" as they are locally called – eight of whom were considered "serious" contenders. As if this were not confusing enough, voters will also elect 24 senators – from 286 hopefuls – and 17,000 local officials.

Not surprisingly, politicians fear that voters will be somewhat confused. Accus-

voters will be somewhat confused. Accustomed as they are to violence during elections, the politicians are also ominously warning that the elections could be marred by bloodshed.

With three months to go before polling, the serious contenders were splitting into two fields. Emerging as front-runner was Mr Ramon Mitra, Speaker of the House of Representatives and a leading member of the LDP, the largest party in the ruling coalition. Mr Mitra held pole position by dint of the strong party machinery he has developed nationwide rather than a strong personal following. (See profile, Page 4)

Rapidly gaining credibility was Mr Eduardo Cojuangco, the estranged cousin of Mrs Aquino and the late President Ferdinand Marcos's most accomplished iness associate during 14 years of marial law. (See profile, Page 4). Sounding less overtly in favour of the monopolistic capitalism he helped perfect under Mr Marcos, he was trying to harness the support of Filipinos disenchanted with a per-

ceived lack of clear leadership.

Also in the first field was retired General Fidel Ramos. He is a contender, largely because he received the personal authors of Mrs Aquino who, confusingly, ose not to back Mr Mitra, the head of her ruling conlition.

Some way behind these three were Mrs.
Some way behind these three were Mrs.
Mirlam Defensor Santiago, an anti-graft
campaigner who scored highly in opinion
polls but had almost no party machinery;
Mr Joseph Estrada, a movie matines idol;
Mr Jovita Salonga, the former President
of the Senate and leader of the Liberal
party; Mr Salvador Laurel, the Vice-President who fell out with Mrs Aquino almost

NORODY could accuse Filipinos of not taking their politics seriously. Every morning in the coffee shops of any hotel worth its salt, politicians, pundits and the press spend hours raking over the embers of the previous day's political intrigues. race is said to be access to large amounts

> Some in this field will wither and others will come from behind. The only cartainty is that any successful candidate



powerful spiritual voice



will need the support of the Roman Catho-lic church, or at least its neutrality. In the predominantly Roman Catholic country, the most powerful spiritual voice is that of Cardinal Jaime Sin, Manila's turbulent prelate. Although he sometimes limits himself to utterances of Delphic obscurity – he says he lives in a "House

obscurity – he says he lives in a "house of Sin" – it is almost inconceivable that he will not come down in one candidate's favour. After all, he too, regularly holds political breakfasts for journalists.

Equally important is the support of the Iglesia ni Kristo, a conservative Christian sect founded in the Philippines. Unlike the Roman Catholic Church's influence over its flock, which is strong but not over its flock, which is strong but not binding, Iglesia's four million voters have

binding, Iglesia's four million voters have tended to vote as their leader says they should vote, potentially giving one candidate a crucial block vote.

Mrs Aquino's own influence on the election has been limited. Mr Ramos's campaign has been alow to take off despite her endorsement and she has also falled to lure her influential brother, Mr Jose Cojuangen, from the Mitra camp. This is a notable breakdown of the kinship on Cojuangeo, from the Mitta camp. This is a notable breakdown of the kinship on which much local political power is based. Her limited impact stams partly from her lack of interest in the pragmatic art of party building — a quality many Filipinos admire. In her last months in power, she has channelled her energies into so-called non-governmental organisations which by-pass the government machinery to deliver services and livelihood pro-

grammes directly to poor communities.

But it is also a fault of a flawed constitation. By allowing a president only one six-year term, it has transformed Mrs Aquino from the supremely powerful patron early in her term, to something of a lame duck.

Politicians are already talking of revis-ing the constitution after the next elections to rectify this. They are considering reverting to a maximum of two four-year

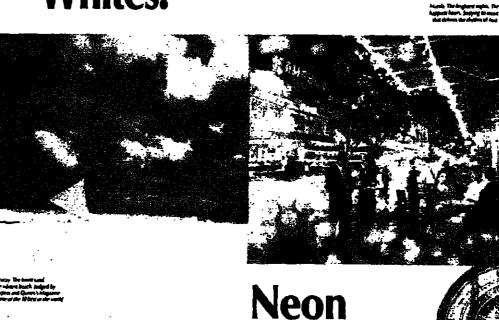
They are also considering replacing the congressional legislature with a parlia mentary system. When Filipinos changed from the parliamentary form in 1986, they were throwing out an institution whose main purpose had been to rubber stamp decrees issued by Marcos during martial

Some politicians now believe that a parliamentary system, incorporating ele-ments of the French presidential system. might swing the balance of power back towards the executive without unduly weakening the checks and balances.

Few pundits suggest a parliamentary system is the immediate panacea for all the country's ills or the chronicly fragmented political scene so vividly demonstrated by the plethora of presidential considers. It would be translated by the presidential considers it would be translated by the presidential considers. candidates. It would, however, provide plenty of opportunity for lengthy coffee

**Richard Gourley** 

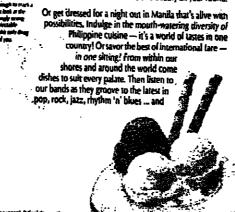
# **Dazzling** Whites.



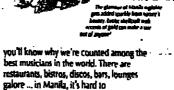


Coastines gammering with sands of ivory Nights stippled with a thousand points of light. Basking in timeless beauty. Moving to an endless beat. Whether rou want to loll in the waves or make waves, our

Escape to the glorious perfection of our beaches. At Boracay Island, you'll discover why travelers rave: a lour-kild stretch of beach that's pure magic. Then ou'll discover why they keep coming back: white, powder-fine sand; blue, crystal-clear waters; and the graceful charm of a people who live this beauty all year round.



Nights.



Let our beaches take your breath you off your feet. There are many reasons to be dazzled and delighted ... here in our Islands Philippines.



HOST OF THE 12th ASEAN TOURISM FORUM, JANUARY 1993

ANGUISHED Filipinos often ask themselves why their country, which was once among the most prosperous in Asia, has been left behind by its rapidly developing southeast Asian neighbours.

Several explanations spring to mind. The late President Ferdinand Marcos, overthrown in 1986, bequeathed a burdensome legacy of foreign debt and corruption and his sup-porters have undermined economic confidence by trying repeatedly to unseat President Corazon Aquino with a series of botched coun attempts.

Mrs Aquino herself has failed to reduce the glaring inequalities between the mass of the Filipino people and the oligarchy of ruling families which dominates agriculture and business and which likes to protect local industrial ventures behind high tariff barri-

Above all, her government and the Congress have fallen prey to the temptation to bow to popular pressure at moments of crisis, first taking necessary decisions and then watering them down so much that they hardly do anything to address the original prob-

lem.
Such tendencies are not new; earlier this century the flamboyant Filipino politician Man-uel Quezon criticised his rival Sergio Osmena for taking poli-tics too seriously. "Our people do not understand that," said. "They do not want it. All they want is to have the present problem solved, and solved with the least pain. That is

Given the Aquino adminis-tration's early failure to fulfil the hopes of its supporters, the reformist economic record of 1991 and early 1992 is somewhat surprising. Whereas most politicians use their "honeymoon period" at the start of a term of office to give their citizens unpleasant economic medicine - and hope to reap the benefits of a healthy economy at election time - the Aquino Administration has done the opposite, letting the economy drift for the first few years and suddenly imposing necessary but unpopular measures shortly before the elections due

in May. Part of the reason for this change of attitude was the realisation by the formidable economic team of Mr Jesus Estanislao, the ascetic finance minister, and Mr Jose Cuisia, the central bank governor, that the budget deficit, the trade deficit and inflation were threatening to run out of control in 1990.

Victor Mallet reports on the economy

# Important issues still need to be tackled



ithed a legacy of foreign debt and corruption. Fir Estanisiao (right): realised that in lation was threatening to run out of control

At the same time the International Monetary Fund has been withholding its seal of approval until financial discipline is restored. By the beginning of this year, it was clear that the IMF's 1991 targets were going to be met, and the Senate's approval this month of a number of tax reform measures appears to have paved the way for an IMF endorsement of the Philippines, a move which would release IMF and other donor money and pave the way for a resche

ing of \$5.3bn of foreign debt.
The total public sector deficit fell from 5.8 per cent of gross domestic product in 1990 to about 2.7 per cent last year, and it is expected to remain under 3 per cent in 1992. Economists agree that the 1991 figures were in line with IMF demands but they caution against reading too much into the numbers; state spending was low because the budget was not approved until well into the year and capital expenditure, boosted again this year by road-building pro-grammes, bore the brunt of the

"Last year can't be used as a test of political will for lowering the deficit," says one econ-

1991 cuts

Nevertheless, the government did inflict a certain

amount of pain to meet its targets. A special import levy of 9 per cent was in force, although it has now been lowered to 5 per cent and is to be abolished by June. Imports were stagnant, while exports rose about 6 per cent. The economy as a whole registered zero real growth, which meant falling living standards for the burgeoning population. This year real growth is expected to reach 2-3 per cent, approxi-

In a confident mood. the administration has embarked on several important economic reforms

mately in line with the population growth rate.

Some good news has lightened the gloom. Inflation has dipped to around 17 per cent and is expected to fall further. Textile exports and tourist arrivals are buoyant, the remit-tances of Filipino migrant workers in the Gulf and elsewhere are higher than expec-ted, and oil has been found off Palawan. Gross international

reserves rose to more than \$4bn at the end of last year. Now in a relatively confident mood, the administration has public sector deficit have been stymied partly by the problems of a central bank plagued by liabilities dating from the Marcos era and costing some 30bn pesos a year to service.

The bank's problems are not fully understood either in the

cabinet or in the press, where it has been accused of ineffi-ciency for making losses. In the early 1980s the cen-

tral bank was ordered by President Marcos to provide forward cover for the oil companies, says Mr Cuisia, who wants the government to take over the liabilities and leave the bank to handle monetary policy unhindered. Now we have enough dollars we may unwind these swaps," he says.

Under Marcos, says Mr Cuisia, the bank was also ordered to acquire the obligations of state companies and to pay national subscriptions to bodies such as the IMF and the World Bank (for which a presidential decree forbade the bank to charge interest): Nature has not been kind to the Philippines these past few years, indicting an earthquake,

a volcanic eruption, a typhoon and a catastrophic landslide on the islands. But economic recovery in 1992 and 1993 depends largely on whether the present government can hold its nerve up to the election and on whether the new adminis-tration will build on the reforms of the preceding year. Several important issues still need to be tackled, including the state of the environment and the conservation of remaining natural resources in country still heavily dependent on agriculture, fishing and forestry. Mr Enrique Este ban of the Centre for Research and Communication says he is because he believes the recent economic reforms will help the Philippines catch up with its partners in the Association of

embarked on several important

economic reforms. Exporters

are now permitted to retain 40

per cent of their foreign

per cent. Indeed, the ready availability of dollars - be-

cause of restricted demand for

imports, and electoral cam-

paigns financed by overseas dollar holdings - has all but

eliminated the currency black market and strengthened the

peso, leading to fears that the competitiveness of exports will

A new local government law gives local authorities expan-

ded powers to raise taxes,

which may encourage further regional development as pur-

sued with notable success by the island of Cebu and the

region of Cavite south of

Manila. A new foreign invest-

ment law has been enacted to

On the negative side, a shortage of electricity is threatening industries in the southern island of Mindanao and there

are fears that the main island

of Luzon may also be affected. And while Filipinos hope for a

consumer-led economic recov-ery boosted by election spend-ing, the public sector deficit

has helped to stifle productive investment by sucking savings

into high-yielding treasury

attract foreign capital.

exchange earnings, instead of 2

South East Asian Nations "The Philippines is part of the Japanese plan, so the Phi-lippines has to be helped to develop by Japan," he says. "Japanese money is no longer going into Indonesia and Thailand because they are at maximum absorption. The Philippines is the last game in the Asean town."

Others are less optimistic that the Philippines can emerge from the economic doldrums of the past decade with-out decisive actions by its own

As Mr Estanisłao put it in a speech last month: "The region around us has taught the rest of the world how to develop through exports. We have coined the appropriate slogans, but ask our exporters. All they ask is to be put on an equal footing with others. What has been our response until very recently? A clear preferential treatment for importers and industrialists who cannot see beyond the confines of our internal market; and a strong bias against exporters and agrifully scouring world markets for foreign exchange.

"Isn't it time we moved beyond slogans, and put sub-stantive actions behind grand



The \$20MW nuclear power station in Batsan: abandoned before it was co

■ ELECTRICITY SUPPLY

# Power crisis bites

NOT FOR the first time, parts of the Philippines are suffer-ing from a shortage of electric-ity. The southern island of Mindanao has been worst hit and consumers have endured blackouts — or "brownouts" they are known locally - for up to 12 hours a day.

Businesses - from cement factories to fish cannerles, some of them lured to the island by the prospect of cheap hydro-electric power - have been forced to reduce their output or use their costly standby generators for ed periods. Prices of the affected products are expected

Further north, the grid for the island of Luzon and its capital Metro Manila has barely enough electricity to mean more power cuts if part of the ageing and over-stretched generating system falls. Had the economy been growing rapidly instead of stagnating, the shortages would be even worse.

The single most important cause of the power crisis – which, besides the elections, has become the country hottest topic of conversation and controversy - is the lack of decisive action by the government to build new power stations. The government has stations. The government has not been helped, it must be said, by the popular tendency to complain about the financial losses and inadequacies of the state-owned National Power Corporation (Napocor) at the same time as protesting about modest increases in the price of electricity.

price of electricity.
"Whereas in other countries with fast economic growth the price of oil and electricity is accepted as an economic fact Mr Jesus Estanislao, finance minister, last month, "here it has remained a subject of endless debate and fruitless discussion." A drought affecting hydro-electric dams on Min-

danao, a dispute between Napocor and the local commu-nity over the island's Agus I dam, and a range of environmental concerns have exacerbated the crisis.

Deforestation has speeded up soil erosion and silted up dams. Power stations on Luzon belching pollutants from poor-quality local coal have alienated nearby communities and are said to have reduced agricultural output. The Japanese-funded Calaca

project shows how badly things can go wrong. The first 300MW unit was designed to burn local coal shipped from Semirara island but the coal turned out to be of worse quality than expected and had to be mixed with Australian coal. The local coal was also inclined to catch fire spontaneously in the yard, causing further pollution and raising a storm of local opposition to the second 300MW unit.

A contractor was chosen A contractor was chosen three years ago, but the Department of Environment and Natural Resources (DENR) has declined to issue the environmental clearance certificate which would allow work to be the

to begin.

Meanwhite a 600MW project
to be funded by the Asian
Bevelopment Bank at Masinloc has been scalled – apparently because the mayor has
relatives in Calaca – although it has been designed to use igher-quality-imported coal. Environmental and adminis-

trative delays have also afflicted geothermal energy projects and all the while the existing plant becomes older and more prone to break-

The authorities, although able to use the International for electricity price rises, are now learning the hard way that it might be worth facing a mild outcry today in order to avert power cuts and the inevi-table anger of the public in the

But their response to the mounting power crisis has been to adopt expensive, quick-fix solutions, including the purchase of barge-mounts diesel generators. Such increases in generating capac-ity as there have been in the

past five years have come from these mobile barges and from the 200MW gas turbine project implemented by Hopewell of Hong Kong (the turbines were supposed to be used occasion ally to top up supplies at times of peak demand, but their coatinned running is now essen tial simply to maintain the In Mindanao, Napocor is

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**25** (27)

hoping for rain and negotia ting to start operating the Agus I dam. "We really have a very, very serious crisis in Mindanao at the moment says Mr Pablo Malixi, Napo cor's chief executive officer. He admits contritely that the corporation has failed to explain itself properly to local communities affected by power projects.
President Corazon Aquint

bowing to public pressure, has ordered a shake-up of Napocor's management and demanded that the DENR issue environmental licences to new power plants. There has also n desultory talk of reviving a 620MW nuclear power sta-tion in Bataan, built by Westinghouse of the US but missioned by the Aquino government after the overthrow of the late President Perdinand Marcos.

Even if the government launches a decisive energy strategy now, it will take sevsees the results. The current for the foreign manufacturers of generators and power barges, but not for the Philip-

Victor Mailet

Philippines National Bank

#### STATEMENTS OF CONDITION

December 31, 1991 and 1990

	(In Million US Dollars)		
		1991	1990
	RESOURCES		
	Cash and other cash items	54.9	36.4
	Due from Central Bank of the Philippines	300.9	168.6
	Due from other banks	290.0	218.3
	Interbank loans receivable	255,5	
	Investments and trading account securities	799.1	476.6
ı	Loan portfolio - Net	1,181.7	1,046.6
	Equity Investments in alied/non-alied undertakings - Net	476	
	Bank premises, furniture, fixtures and	47.5	01.4
-	equipment - Net	224.2	143.3
Ì	Real and other properties owned or acquired	21.5	19.1
	Other resources	320.1	253.2
	TOTAL RESOURCES	3,495.4	2,623.7
	I IADH ITICO		
	LIABILITIES		
	Deposit liabilities:		
	Demand	408.8	387.5
	Savings	1,044.2	651,1
	Time	911.2	<u>601.6</u>
		2,364.2	1,640,2
Ì	Bills payable	213.2	210.7
	Margin deposits/cash letters of credit	39.5	64.5
	Treasurer's/Cashier's Manager's Gilt	٠٠	<b>U-1.</b> U
	checks and payment orders payable	60.0	69.2
	Accrued taxes, interest and other expenses	42.7	32.5
	Dividends payable		36.0
	Other liabilities	297.8	286.1
	TOTAL LIABILITIES	3,017.4	2,339.2
	AAPITAL CINIDO		
	CAPITAL FUNDS		
	Capital stock	287.1	216.1
4	Surplus	136.6	65,3
i	Surplus reserves	3,4	3,1
	Revaluation increment in land	50.9	0.0
	TOTAL CAPITAL FUNDS	478.0	284.5
1	7-11-31-31-31-31-31-31-31-31-31-31-31-31-		
	TOTAL LIABILITIES & CAPITAL FUNDS	3,495.4	2,623,7
١	CONTINGENT ACCOUNTS .		
	I layered commercial lattern of condit	227.6	074 -
١	Unused commercial letters of credit Bills for collection	227.2 250.4	374.7
Į	Future exchange bought	250.4 65.7	201.8 91.4
1	Future exchange sold	12.5	91.4 49.4
ł	Trust department accounts	242.7	94.0
Į	Other contingent accounts	77.0	261.0
ı	and an initial passesses		~
1	TOTAL CONTINGENT ACCOUNTS	875.5	1,072.3

#### **■ THE MILITARY**

# Doubts over democracy

SIX YEARS ago a failed military coup triggered the popular uprising that brought President Corazon Aquino to power, ending 14 years of army-backed Marcos dictatorship. Seven attempted coups later it is clear that disgruntled sections of the army have not lost their taste for intervening in civilian government.

While none of the coups has succeeded, the durability of the democratic institutions which President Aquino restored is still in doubt as national elections loom in May. Mrs Aquino has constantly had to look over her shoulder at a section of her military that sneers at civilian

Many of the officers with political ambitions look long-ingly at Thailand where the generals rule. But apart from their shared taste for intervention, similarities between the two countries are minimal. Thai generals go out of their way not to disrupt business.

Philippines rebels in the 1989 coup, however, seized and shot up hotels and offices in Manila's business district, stopping the country's faltering economic recovery dead in its There are some signs that

the dissenters in the army are becoming less influential under General Lisandro Aba-dia. Chief of Staff of the armed forces. But it could take years before the military can be guaranteed to stay in their barracks at times of political ten-sion. "Marcos established a constitutional coup with the support of the military," says General Rafael Ileto, National Security Adviser to the President, referring to the declaration of Martial Law in 1972. Then Mrs Aquino came to power in the aftermath of a bungled military coup against Marcos.

"The military have got used to coups," says Gen fleto. Perhaps the most important chief of staff, ordered the reb-



Gen Fidel Ramos: ordered the rebels to do press-ups after right-wing Marcos loyalists lau

change since the 1989 coup is change since the 1989 coup is that financial and political support for the leading renegade officer, Colonel Gregorio "Gringo" Honasan, appears to have dwindled. The army believes that a dozen rebel officers, including Honasan, and 100 enlisted men who took part still remain at large. Honasan's organisation - the

Reform the Army Movement (RAM) - has also lost much of the credibility it once enjoyed. During the 1989 coup, this junior officers' pressure group that claimed to campaign for professionalism in the army, openly linked with right-wing Marcos rebels in a crude grab for power.

To outsiders, the army's leaders still show an astonishing degree of tolerance towards these renegades. Gen Abadia, for example, feels able to describe Honasan as a "gentleman officer" with whom he can sit and discuss surrender terms, even though the Colo-nel's troops bombed Mrs Aquino's palace during the last

It is only the latest display of army ambivalence towards its rebels. After right-wing Marcos loyalists launched a bizarre coup attempt in 1986 by taking over the Manila Hotel and swearing in a new president, General Fidel Ramos, then

els to do press-ups as a punish-

Such is the residual distrust of the army that some observ-ers believe the army might take over if the next president. competing against several other candidates, is elected with only a small minority of the vote.

Gen Ahadia says interven-tion is unlikely. Only if there is "massive fraud or disorder" would the army "restore order as mandated by the constitution", he says.

Ironically, just as military unity appears to be returning, the departure of the US bases from the Philippines might rekindle dissent among the ranks. The issue is money. As part of the bases compensation package, the US pays about \$200m in military assistance for helicopters, signals equip-ment, weapons and training. As part of the defence cuts

as much as the ending of the bases agreement, the US milltary aid programme is likely to be cut by at least half. This will put enormous additional strains on an already creaking national budget. While the Phi-lippines will continue to receive equipment for several years under this programme, Gen Abadia has said he will be requesting an additional 3bn pesos to fill the gap left by cuts in US aid.

the funds, there is a good chance that leaders will claim the army does not have the tools to tackle the Communistled New People's Army. In fact, the Communist challenge is already dwindling thanks to the collapse of Communist models in eastern Europe and internal divisions among the

Communist party leadership.
The army reckons numbers under arms have fallen to 11,000 from 16,000 a few years ago. And Gen Abadia is forecasting that by 1993 the army will have crushed the political backbone of the movement and the insureague will be no more

the insurgency will be no more than a policing problem.

This might be optimistic. Undoubtedly, current military tactics of combining military and propagands offersives, and and propaganda offensives, are reducing NPA influence, even though the army is still too often linked to killing and torturing of innocent civilians. But the government is still not building enough rural roads, health clinics and local industry to encourage the kind of economic growth on which lasting victory over the NPA must be based.

The generals in Manila are critical of the way civilian offi-cials have failed many rural areas and made the army's task more difficult; it is the most convincing of their com-plaints against Mrs Aquino s administration. But as a result of luck (the collapse of European Communism), restored democracy and Mrs Aquino's residual popularity, the Com-munists are facing their most

testing time. It is a far cry from the last days of martial law when US intelligence reports said Mar-cos had let the political siftiation deteriorate so much that "ultimate defeat and Comminist takeover" were on the

Richard Gourlay

#### **■ FOREIGN RELATIONS**

# US withdrawal raises questions

"WE won't stay where we're not wanted, and if they want us out, we're gone." So said Mr Dick Cheney, US Defence Secretary, after the Philippines Senate voted in September against a new 10-year treaty which would have allowed the US continued use of the Subic Bay navel base. The Senate's momentous decision means that the last US personnel should have left Subic by December 31 this year.

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have left Sume by Decamber 31 time year, ending nearly a century of American occupation of the deep-water harbour some 30km north-west of Manila.

The nearby Clark air base was abandoned in the middle of the treaty

anahooned in the middle of the treaty negotiations after Mount Pinatubo erupted and smothered the facilities in ash. Many Filipinos, even those who opposed US bases on their soil because of genuine feelings of nationalism or a desire to score

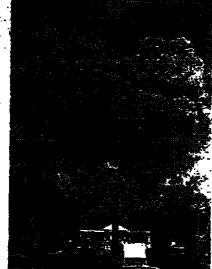
feelings of nationalism or a desire to score political points, have yet to grasp that the Americans are really leaving.

But the Americans, who took control of the Philippines by defeating the Spanish in 1898 and established the Subic base three years later, are no longer so anxious to keep a costly military presence on the islands now that the Soviet Union has crown so large.

grown so large.

The economic and social impact of the mark to adopt the American withdrawal from Subic, the supply base and repair yard for the 7th Fleet, will be substantial. Some 40,000 he purchase of bayes ficacif generator nervasion in generator is as there have be-Filininos stand to lose their jobs and direct US aid to the military and to civilian programmes is certain to fall from the current annual level of about £400m. The indirect effects are harder to the 200MW gas tubes in 200MW gas tubes implemented in line itong Kong the tube

FIVE YEARS after it began, the Philippines' privatisation



A huge mushroom cloud over Clark air

antify, but the Subic Bay town of Olongapo, its streets crammed with bars and prostitutes, is already feeling the pinch as the US servicemen depart. One western diplomat estimates that the US bases were putting \$1bn into the economy every year, while the country's annual exports amount to only about \$8bn.
"That's a lot of foreign exchange to let go in 18 months," he says.

According to one school of thought, the Filipinos bungled the negotiations with

the Americans by dithering for too long and demanding too high a price. But they could hardly have foreseen the eruption of Mt Pinatubo – which took Clark out of the equation – and even if a deal had been struck before the volcanic disaster successive US administrations would have been hard pressed to secure funds from Congress each year in exchange for a defunct air base covered in

In any case, the political confusion over the bases in the Philippines had as much to do with the country's schizophrenic attitude towards its former colonial

ters as with greed. Filipino commentators are apt to criticise US involvement in the country (on nationalist grounds) in the same breath as asking for more assistance (on the basis of the longstanding ties between

the two peoples).

The close relationship, albeit weakened by the rejection of the new treaty, will certainly continue. A mutual defence pact dating from 1952 and providing for joint military exercises remains in force. American culture has permeated the Philippine islands; about 1m Filipinos live in the US and thousands of Americans are

resident in the Philippines.
For the workers at Subic and the towns around the bay, the most immediate

But Mr Jose Cuisia, the central bank concern is the future of the port and the governor, remains sanguine. "It's significant," he says. "But it's not going to mean the end of the Philippines either." concern is the future of the port and the 5,800 hectares which make up the base. Here too the government was slow to mean the end of the Philippines either." react, suggesting at first that the Issue could be addressed by the new administration due to take over after the

May elections. Local residents, and the Americans who are packing up their movable equipment and leaving, convinced President Corazon Aquino's outgoing government to start dealing with the problem before the voters went to the polls.

Clark air base, after all, was handed over to the military and looted after the

Spurred on by the energetic mayor of Olongapo, Mr Richard Gordon, officials are airing proposals for a free port and talking hopefully of "a new Hong Kong", but it remains to be seen whether such ideas will ever come to fruition.

Residents are furious not only because the Senate rejected the 10-year treaty, but also because the Americans were told to leave within one year instead of three. "Our mission is first to preserve,

conserve and maintain the resources we have on base," says Mrs Boots Ligsay, a training supervisor at Subic and spokeswoman for a movement promoting spokeswoman for a movement production of Greater the "Autonomous Region of Greater

Olongapo" (Argo).
"It's a good one, and we don't want it to become snother Clark. Subic Bay can be a free port and the base workers are willing to invest their hami-carned savings." Mr Gordon, citing the sentimental value of American "work experience and sexual



The American flag is lowered for the last

experience" in Olongapo, believes he, rather than the unsympathetic officials in Manila, can persuade the Americans to leave some of their more valuable pieces of equipment behind. He is adamant about the need for the conversion of the base to

"I think if the base leaves and there is nothing, you're going to see some social unrest," he says.

Unfortunately, the Americans seem inclined to take away the valuable floating dry-docks used for ship repair. And although the Subic workers have many of the necessary skills for commercial shipyard operations, they will be competing with established yards in

neighbouring countries.
Subic, western diplomats say, was ideal for the US Navy because it was a "one-stop shop" allowing for replenishment, training in conjunction with Clark, rest and recreation, and repairs. Commercial ship repair alone might not be viable.

in the meantime, the US departure from the meanume, the US departure from the Philippines will leave the country in a weak position with regard to its Asian neighbours. The armed forces are noorly equipped, often unprofessional and preoccupied with politics, while the economy is lagging behind those of the other south-east Asian countries. Slowly but surely the influence of the Japanese, who occupied the country with notable

but surely the influence of the Japanese, who occupied the country with notable cruelty during the Second World War before they were driven out by the Americans, is making itself felt.

Japan is the country's largest aid donor and the source of much foreign investment. Young Filipinos are largely unaffected by their parents' memories of the war. No langer can the foreign policy of the Philippines be concerned almost exclusively with the US.

"The Filipinos are going to have to take some very significant foreign policy decisions," says one diplomat in Manila. "What is their relationship with Asean? To what extent to they want to maintain a US

what extent to they want to maintain a US defence relationship? How are they going to deal with the Japanes

Already, in between the brothels and the American hamburger joints in downtown Manila, the Karaoke bars are spreading as the US sailors head home from Subic.

Victor Mallet

PRIVATISATION

#### programme can be counted nei-ther as a rip-roaring success nor as an abject failure. Dogged by legal challenges Dogged by legal challenges and the hesitancy of local and

foreign investors, the govern-ment agencies responsible for privatisation have limped along through a series of failed auctions, but have eventually succeeded in selling many of the state-controlled companies and assets in their charge. The so-called "big ticket" The government has taken

items have been particularly hard to dispose of, although the 57 per cent of Philippine Airlines (PAL) offered by the government was snapped up at auction last month for \$368m President Corang by a consortium of local busi-

Part of the problem is that the privatisation programme was created more to clear up the mess left by the regime of the late Ferdinand Marcos than to satisfy any ideological craving for free enterprise. In 1986, the same year she came to power, President Corazon Aquino created the Committee the sented by the ke on Privatisation (COP) and the Asset Privatisation Trust (APT), two bodies whose mandates have recently been er-than-expected pace of dis-

Privatisation was among the tools used to rescue the Philippine National Bank (PNB) and the Development Bank of the Philippines, two government-owned institutions abused and exploited by Marcos and his

The government is

keen to rid itself of loss-making corporations

over some 140km pesos in prob-lem loans and other assets, and made the APT responsible primarily for selling these non-performing assets, both financial and physical. It is against this background that the APT's ent in grossing 26.3br pesos by disposing of 266 out of the 399 non-performing assets in its portfolio must be mean ell th programme has netted 41.1bn With the APT's remaining non-performing assets either completely deteriorated or hard to sell because of legal impediments, the focus is now shifting to the 50 or so unsold state companies out of the 123 corporations which were ear-marked for sale by the APT and a number of state parent

ernment Service Insurance The process has been slowed both by the reluctance of the Commission on Audit to accept the low market values of some of the assets and by the doubts of potential investors in an eco-nomic climate affected by natu-

organisations such as the Gov-

"I think in the experience of other countries, five years is really too short," says Ms Crisanta Legaspi, executive officer of the Committee on Privatisa-

ral disasters and the Gulf cri-

The government is keen to rations, but its various

wholehearted in their commitmonenearies in their commin-ment to the principles of priva-tisation. "They would not like to lose whatever they have now by disposing of it," says Mr Jose Sison, associate execu-tive trustee of the APT. savs Mr Sison. What's happening here is that we're transferring from one monopoly to another."

Mr Jose Cuisia, governor of the central bank, expresses his satisfaction that "more than 50 The GSIS, for example, is supposed to sell 40 per cent of the Manila Hotel this year, but senior officials, citing the hisper cent of what was targeted has already been privatised", although he acknowledges that torical and sentimental value of the former headquarters of the sale of big-ticket items will take time. Gen Douglas MacArthur, are in Thirty per cent of the now profitable PNB has already been sold on the stock market, no hurry to dispose of a profitable company without debts.

a further 21 per cent is expec-ted to be offered soon, and Furthermore, assets sold by the state often fall into the hands of the oligarchy of President Acuino has approved the eventual sale of 100 per wealthy families which has always run the country.
"I think that's one of the

The Philippine Plaza hotel

**Government Corporate Sector** 

Total: 301 Government owned & controlled companies (as of Dec 31, 1990) For abolition\_57 For consolidation 18 For regularisation 16 For conversion 5

For retention 78

was finally sold last year to Allied Katima, a Hong Kong-Japanese joint venture. But an agreement on financing for the \$325m sale of Nonoc Mining and Industrial Corporation to Philippine Nickel Corporation has yet to be finalised, and other large companies, includ-ing the National Steel Corporation and the Paper Industries Corporation of the Philippines, are still waiting for buyers.
The government's efforts to

sell two thirds of PAL were boosted by higher-than-expec-ted profits in recent months - after a decade of losses - and by the government's decision to assume the airline's foreign debt of \$519m. "There is an economic need to infuse new money into PAL," says Mr Feliciano Belmonte, president of PAL and GSIS, "And GSIS, which is a pension fund for government employees, is not the right kind of sourcing." The winning consortium in last month's three-cornered bidding was a group led by AB Capital and Investment Corporation and linked to Korean Air. Its bid of \$368m, including a local currency cash compo nent worth \$150m, was well above the confidential \$317m 'hurdle price" set by the authorities and appeared sufficiently high to disarm critics of the sale, even if last-minute obstacles to the deal could not e ruled out

Mr Belmonte, although accepting the necessity of private sector investment in PAL, is noticeably ambivalent about the ideological merits of priva-

In the absence of widespread official determination to push ahead the privatisation pro-gramme under the new govern-ment to be elected in May, the disposal of state compani likely to continue as slowly as

**Victor Mallet** 

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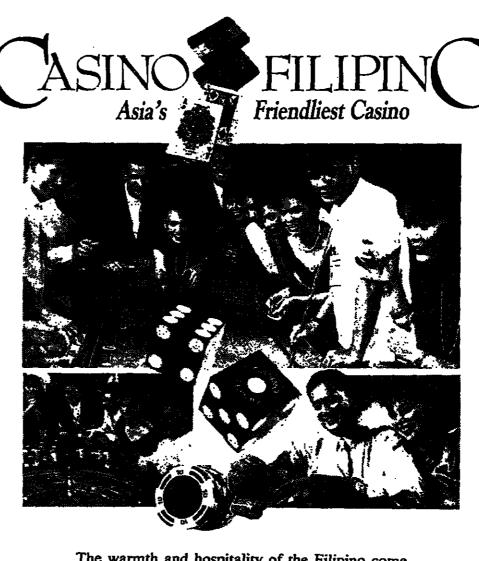
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**■ INVESTMENT** 

# Belated attempt to remedy matters

savings and of local and foreign investment in the Philippines is one of the fundamental causes of the country's poor economic performance in relation to its south east Asian neighbours over the past

In a belated attempt to remedy matters, new foreign investment legislation was brought into force last year, but even its supporters acknowledge that it is only a first step towards improving the whole investment climate.

Between 1981 and 1990, gross domestic investment averaged 20 per cent of gross domestic product, compared to 42 per cent for Singapore, 27 per cent for Thailand and more than 30 per cent for Indonesia and Malaysia, according to the Asian Development Bank.
The Philippines has also

been lagging well behind its

The kidnapping is unlikely to encourage western investors

rivals in attracting foreign investments. "The Philippines was left behind by Thailand." savs Mr Enrique Esteban of the Centre for Research and Communication, an economic think-tank. "It remained pro-tectionist; anti-investment. We were very inward-looking in practically everything. We contion philosophy and we relied

on American goodwill." Even the most alluring investment regulations would not have been enough to inspire cautious foreign companies during the 1980s. The overthrow of President Ferdinand Marcos and the coming to power of President Corazon Aguino in 1986 were followed by a series of right-wing coup mpts. In the 1969 attempt, the most recent and most damaging, more than 100 people

The kidnapping of Mr Mich-

Hong Kong

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EQUIPMENT: Western suppliers

are geared up for a share of the \$160bn in expected orders for

the 1990's. Their strategies for

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vice-president of Philippine Geothermal Inc, on January 17 this year, is hardly likely to encourage western investors already contemplating the election campaign with trepidation. It was not known at the time of writing whether he was seized by left-wingers, rightwingers or criminals.

Americans, furthermore, have been discouraged by the Philippine Senate's rejection of the 10 year bases treaty negotiated by the US and Filipino

Although existing investors, particularly Filipino Chinese, have learned to make the best of the arduous local conditions, potential newcomers are understandably deterred by the poor state of the country's infrastructure – electricity, for example, is sometimes in short supply because of delays in building new power sta-tions - by the litigious nature of the society, and by bureau-cracy which can condemn even the most respectable bankers to a nine-month wait for their work permits.

Unhealthy rivalry between different islands or different regions has been known to delay a new project, but the inadequacies of the central government have, on the other hand, prompted some local authorities - in Cebu and Cavite, for example - to promote elves to Japanese, American, Taiwanese, Korean and other investors with considerable success.

Regardless of the laws in place, the crucial question is whether Filipino governments will put aside their nationalistic distrust of foreign participation in the economy and actually greet foreign investment with enthusiasm. One congressman went so far as to challenge the new foreign investment act as unconstitu tional, although he lost his

case in the Supreme Court.
The new law allows inves tors not seeking special incentives to take a 100 per cent

Mar 22 1991

April 30

May 10

June 5

July 15

August 29

October 10

November 14

December 3

REGIONAL DEVELOPMENT

# Recovery hopes

TEN miles south of Manila airport, in rolling agricultural land, there is a frenzy of factory building quite at odds with the widely-held view that the Philippines economy is stagnating. Cavite Province's rice fields

it does not appear on a "negative list" of restricted activi-ties. Broadly, the law simplifies

investment procedures and means that foreign investors

seeking full ownership of a

company need not necessarily be located in an export process-

ing zone or engaged in a "pio-neer" priority industry.

Stockbrokers, however, say

they are unclear as to how the

law applies to listed compa-

A and B shares, and only the B shares, making up a maximum of 40 per cent of the company.

can be bought by foreigners.

A more important aspect of the legislation is that it demon-

strates a change in the govern-

Before, it was assumed that

foreign investment was banned

or restricted unless certain conditions were met. Today, it

Another concern is the

existing

labour legislation

is acceptable, provided it falls within official guidelines.

man of the House of Represen-

affairs and a prominent sup-

porter of economic liberalisa-tion, says the law "will not be

sea to our proble and he is proposing a number of complementary measures.

"This is merely the starting

point," he says. "The others address important concerns

that are of interest to inves

He is backing proposals to allow accelerated depreciation

of assets for tax purposes, to improve security of land ten-

ure for foreign investors, and

to make it easier for foreign

Another concern is the exist

ing labour legislation, which

discourages foreign investors

by setting minimum wages

without substantially helping the workers, who are often underpaid by local employers

"We have to rely less on for-

eign loans and more on foreign

direct investment," says Mr

Teves. "If we encourage and

convince our bureaucracy to be

more responsive, and find

ways to cut the process to the

barest minimum, maybe we can attract more investment to

**Victor Mailet** 

banks to operate.

tatives committee on economi

Mr Margarito Teves, chair

is assumed that the investme

shares are divided into

are sprouting a crop of industrial parks, export zones, new arterial roads and microwave communications links on the back of a wave of enth from foreign and local inves-

Once called "The Badlands" because of its reputation as a refuge for bandits, Cavite is now the focus of efforts to develop an industrial belt to he south of Manila

Governor Juanito Remulla says his zone of "industrial peace and productivity" has attracted 20th pesos of invest-ments since 1986 and has directly created 45,000 new jobs. About half the investment is from Japan, Korea, Taiwan, Hong Kong and the US and the rest from large local groups such as San Mig-

With the Philippines economy shrinking in real per cap-ita terms last year by 2.5 per cent, Cavite is one of several regional pockets of activity that are keeping recovery

hopes alive. Cebu City, on the central island of Cebu, is perhaps the best known example. In the past three years it has left the rest of the country behind in terms of growth, investment and attractiveness to foreign

A bustling port and trading centre, it is dominated by Filipino-Chinese businessmen with little time for what politi-cians and government are doing in Manila. It has mar keted an image of a peaceful "Island in the Pacific" divorced from the problems of politi-cally fog-bound Manila. "The Manila businessman

spends his time trying to influence government to get grants and policy changes," says one Manila-based Filipino banker. "The Cebuano knows he has no access so he just dives in and swims. He could not care less about government policy." As a result, Cebu has developed a thriving native furni-ture export industry, a large trade in seaweed to the US and

About half the companies operating out of the Mactan export processing zone are Jape. Exports from this area have grown about 15 per cent annually over the past three years, despite a wayward typhoon in 1990 which damaged infrastructure and threat-

an active coconut oil export



onut farming: Cebu has dev

ened to derail the regional

For the domestic market Cebu has also become the southern Philippines centre for cement production, scrap iron consolidation, and a large flour milling and beer brewing cen-

Common to Cebu and the newer but equally promising Cavite, are strong provincial leaders and access to interna-tional airports. Cebu's was upgraded by the Americans during the Vietnam war. Governor Emilio Osmena in Cebu is pressing ahead with plans to upgrade the regional infrastructure. With one of the largest local developers, Ayala Land, the local government has tapped private capital, issuing the country's first municipal bonds or CEBU's (Cabu Equity Bond Units).

He has also attracted pledges

of more than 5bn peacs in development assistance from Japan and has cut swathes through Manila's red tape, encouraging a "can-do" men-

In Cavite, the firm hand comes from Governor Remulla who has taken 10 years to consolidate diversely-held land holdings so that more than 4,000ha are now available for industrial uses. "Local govern-ment should concentrate on inviting in investors to get exports and more foreign exchange," he says. The most advanced develop-

ment is the 277ha export processing zone at Rosario, Cavite where more than 100 compa-nies have invested or are about to start building. Investors include a glass manufacturing ioint venture between Yama mura of Japan and San Miguel; the US computer components maker Commodore Electronics; Yasaki, the Japanese car parts maker; Maxon, a Korean portable telephone manufacturer; Clarion, the Japanese audio company; and Cavite Apparel,

About half the investment it Cavite has so far gone to the emort processing cones where exporters are exempt from import levies and have their own dedicated customs officials to reduce bureaucratic

But Mr Remulia is also encouraging development of private business parks and export zones. The biggest are the 160ha Gateway Business Park where the developers, the local de los Reyes family, claim "Asia's greatest rewards await", and the 500ha First Cavite Industrial Estate, a joint venture between Marubeni of Japan and the government's National Development Corp.

Throughout the country these export zones accounted for about \$819m. or 10 per cent of the country's exports in 1991. The industries they attract are mainly assembly operations adding little local value other than labour – as the \$584m figure for imports

into the zones suggests.
Nevertheless, with foreign exchange and import liberalisation likely to improve local quality and competitiveness, economists expect domestic sourcing for exports to

increase.

Just as regions such as Cebu. and Cavite are seen as small engines of recovery, so regional development has received an additional boost Last October, the senate approved a new local govern-ment code which will allow local authorities; particularly in the cities, to spend more of the taxes they collect.

It is a bold experiment in local democracy, after years of

centralisation that was driven by frustration with Manila's Businessmen and economists agree the new code should allow more local leaders to develop the infrastructure from which more Cabins could

41.72 43.96 -f.1-N/A; ts of GDP' (%). Gross Fixed in 28.4 33.8 12.6 30.0 Consumer price infl.<sup>2</sup> (% ps)..... Reserves minus gold<sup>a</sup> (\$bn)...... Narrow money growth<sup>a</sup> (% ps)... 0.924 14.3 22.5 10.60 2.426 20.1 26.5 Narrow money growth\* (% pa)...
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**KEY FACTS** 

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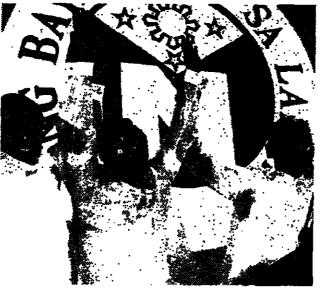
(3) second quarter; (4) June; (5) IFC Index, 1991 to end November.

Source:IMF,Datastream,Economist Intelligence Unit

**Richard Gourlay** 

■ PROFILE: Eduardo 'Danding' Cojuangco

# Marcos crony bounces back



still an avid believer in monopoly capitalism

THEY call him Ferdinand Marcos's "super-crony" an "unrepentant protectionist" and the "Pac-man" after the omnivorous computer game monster that eats everything

in its path. He became extremely rich by controlling the coconut indus-try, the kind of monopoly that undermined the Philippines economy for years under President Marcos. Yet six years after fleeing into exile, Eduardo "Danding" Cojuangeo, the most accomplished of the Marcos business cronies, is

The fact that Mr Cojuangco and Mrs Imelda Marcos, the former president's wid-ow - should be given the time of day says something about the unpredictable twists of Philippines politics. Incredible though it might seem, Mr Coju-

of the coconut industry, Mr Cojuangco had influence in virtually every village in the country and is believed to be able to call in political debts. It is not immediately apparent

why.
After Mr Marcos declared martial law in 1972, coconut farmers had to sell their produce to an authority Mr Cojuangeo effectively controlled; he imposed a levy on them with which he built the United Coconut Planters Bank that took control of almost all the country's coconut ofl mills. And his control of the supply of seedlings rounded out a monopoly that stretched throughout the coconut industry, the country's largest

export earner. Nevertheless, he was considered by many in the countryside to be a good patron. "Ferdinand Marcos controlled everything in Manila," says

one of Mr Columbico's army of campaign helpers. "But in the countryside, poor people earned money. They know Cojuangco as a true friend."

Should he be elected, Mr Cojuangco would most likely regain control of the United Coconut Planters Bank and a sizeable shareholding in San

Miguel, the country's largest private employer. These assets and some 400 other companies - Mr Cojuangco says he is unclear how many - are still frozen by a government body looking into the billions of dollars allegedly stolen by Marcos and his business associates. Mr Cojuangco denies the charge that he is a crony - the description of those who are believed to have benefitted

nancially during the Marcos era - because, he says, he did not receive governme More worrying to local and foreign businessmen are Mr Many question whether he really had the super-business

brain of the Marcos era. Who

would not make money if

37.5

50

granted a monopoly protected by the president, they ask? Moreover, while Mr Coju-angeo is careful to adopt the rhetoric of economic liberalisation, businessmen suspect he is still an avid believer in what he knows best - monopoly

He says he would "design programmes which would dou-ble the income." hle the income of rural house-holds" and government would develop local industries for the larger domestic market that would emerge

They fear it suggests an end to the withdrawal of government from business and the more export-oriented policies that the rest of south-east Asia has successfully followed. It would "make the business sector lie low", according to one

Given Mr Cojuangco's record there is something chilling in his definition of a president's duties: "chief executive for all the sectors of the econ

**Richard Gourlay** 

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Southampton Street. London WC2E 7HA, UK. Telephone: 071-240 9391. Fax: 071-240 7946. **FINANCIAL TIMES** 

RAMON MITRA, the 63-year old Speaker of the House of Representatives, used to run barefoot to school, esrned pennies herding cattle on horse-back and was appren-ticed to a crocodile hunter at the age of 11. Unlike many of the presiden-

tial candidates who rediscover humble origins as elections approach, his claim to "know the pain of hunger and what it means to sleep without having your dinner" carries a ring of

As Speaker he has cut political deals and came close uniting a fractious set of congressmen behind President Corazon Aquino's party, even if a number of his bills have been shot down in the Senate. Such a mixture of populist politician and pragmatic party man should make Mr Mitra the "candidate to beat" in presidential elections on May 11. But he lacks one important

ingredient President Corazon

Aquino's support. Last month, Mrs Aquino threw her support behind his opponent in the ruling LDP party, retired General Fidel Ramos, even though the party had chosen Mr Mitra at a party convention as the candi-

■ PROFILE: Ramon 'Monching' Mitra

Popularity and pragmatism

Mrs Aquino's reservations appear to be based on the com-

He lacks one important ingredient: President Corazon Aquino's support

monly sired view that Mr Mitra, who has built the strongest party machinery throughout the country, is a "traditional politician". This less than flattering epithet in the Philippines contains the suggestion of unacceptable amounts of patronage. Having lived for 20 years

with President Marcos's brand

ipinos view almost any form of political horse-trading with

Mr Mitra has also been linked with illegal logging in Palawan through a local concessionaire and old friend. He denies the charges but some of the mud has stuck, at least in Manila.

Whether his image is tainted in the countryside remains to be seen. His early life certainly could not have been better could not have been better scripted for a politician. A rich businessman by the time he became House Speaker in 1987, he was born the illegitimate son of a half-American mother and the superintendent of a penal colony on Palawan Island.

His mother died when he was 11 months old after his father left for Manila and he was raised in poverty by her family. After escaping from the Japanese army during the Sec-

that time a Philippines congressman - and began an expensive education that led him to journalism, foreign service at the United Nations, commercial farming and poli-

On the economic policy

front, Mr Mitra esponses much of the market liberalisation on which many businessmen are pinning hopes of recovery. He is in favour of opening up the economy to foreign investment and competition and letting the peso find a more realistic And his solution for the bur geoning domestic debt problem is textbook economics; not new taxes, but better collection of existing ones. This sugges has been less than enthusiasti-

cally received in Manila. It explains, he believes, why his candidacy has yet to gain popular support.

**Richard Gourlay** 



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